**Washington State
DEPARTMENT OF
SOCIAL & HEALTH
SERVICES**

*Economic Services Administration
Division of Child Support*

Electronic Funds Transfer Project

FINAL REPORT

October 1994

Improving the quality of life for the children of Washington State

Exhibit 6

Acknowledgments

The main obstacles to implementing a new process are resistance to change, limitations of existing systems, and lack of a senior executive champion. Without the support of all the individuals involved in the project, we could not have overcome these obstacles and successfully implemented an electronic payment and disbursement system within the Division of Child Support.

Much of the credit for the program's success belongs to Georgiann DeKay, Support Enforcement Chief of Administrative Operations. Georgiann supported the program from the very early stages of research into electronic commerce. She allowed staff the flexibility and empowerment needed to operate in a realm of productive efficiency. Her insight and vision were always the driving force behind each step of the process.

Major appreciation and thanks go to the financial operations staff in the Support Enforcement Management System (SEMS). Kelley Romeo for her cooperation and enthusiasm in building this system and in allowing open access to her staff. Marcia Cotey for her persistence and dedication to integrating the complicated financial process of the banking industry into everyday life at DCS. Nancy Stewart for her loyalty and patience with the many varied electronic payment standards. And, especially, Rod McNeil, without whom this project could not have been accomplished. His knowledge and insight into the integration of an FEDI process to the existing financial programs was priceless. His mild nature, patience, and appreciation for humor were a gift.

Many thanks go to all the Financial Services staff who continued in the daily business of processing and reconciling child support payments, in particular John Simpson and Sherrill Mitchell. We received constant support and assistance from all these individuals. We are indebted to Thanh Vu and Dean Learn, who were always advocates.

Sharon Richard, the Government Banking Representative at U.S. Bank, was invaluable. Without her patronage and knowledge we would have been lost.

Also, thanks to Robert Thompson, newly appointed Chief of Fiscal Management at DCS, who stepped in and gave support during the last months. Thanks also to Laurie Rawlins who assisted with the final report.

Finally, we would like to thank the Cash Workgroup members for their patience and continued interest. Their input and suggestions were as essential as their individual championing of EFT in the field.

Contents

Common Project Terms
(Complete Glossary follows Chapter Six)

ACH - Automated Clearing House   A central distribution and settlement point for electronic items exchanged between financial institutions.

Addenda Record   (Examples: CTX, CCD+, PPD) - An ACH record type that carries supplemental data needed to identify or provide information concerning a payment.

DCS - Division of Child Support   The division in Washington State that is responsible for the enforcement, collection and distribution of child support.

EDI - Electronic Data Interchange   The transfer of data or information using electronic means.

EFT - Electronic Funds Transfer   The transfer of funds from one entity to another using electronic means.

FEDI - Financial Electronic Data Interchange
The transfer of financial data or information using electronic means.

NACHA - National Automated Clearing House Association
The banking trade association that is responsible for developing and maintaining the rules for the ACH network.

OCSE - Office of Child Support Enforcement
A federal unit within the Department of Health and Human Services that administers the title IV-D program.

Prenote - Prenotification   A zero dollar amount EFT transaction that is sent when setting up a new account to test the accuracy of the bank routing and account information.

SEMS - Support Enforcement Management System
The automated data processing system designed to support and enhance DCS programs and operations.

Settlement Date   Reflects the date a transaction is posted to the receiving depository account.

Trading Partners   An entity that uses EFT in conjunction with DCS.

Introduction

Washington State has been involved in EFT/EDI for payment processing since June of 1990. In November 1993, an EFT/EDI Project Team was formed to enhance and expand electronic payments within DCS. Since that time, the EFT/EDI realm has grown to include direct deposit of child support disbursements and various options for employers to transfer funds and payment detail.

In November 1993, the EFT/FEDI Project Team was formed to further these advancements. DCS combined this interest with the technical specifications required for federal system certification. To meet these requirements all child support entities must be able to accept EFT from employers by October 1995. With an internal focus to centralize cash processing functions from the nine field sites within Washington State, it became apparent that there was sufficient need to concentrate resources towards securing additional trading partners to the EFT payment process. OCSE assisted by working jointly with the Bankers EDI Council to approve the Child Support Addendum Record to be used within the Automated Clearing House (ACH) as a support for Financial EDI. Essentially, this addenda format allows payment identification to flow through the banking system along with the dollar amount. This standardized format was meant to be adapted for use in payments being forwarded from one state to another. Financial EDI seemed a reasonable step in the process to create uniformity between states.

The second phase of the FEDI plan incorporated direct deposit of child support on out-going disbursements. This procedure demanded inclusion of custodial parents within the State of Washington, as well as other states. Direct deposit for clients had long been a departmental goal for customer service, which would require specialized attention to ensure implementation.

The Federal Direction

In 1987, the Office of Child Support Enforcement awarded a grant to the states of Iowa and Nebraska to assess the potential benefits of EFT technology in a child support enforcement setting. With the requirement that child support obligations be collected through income withholding, OCSE recognized that the workload of deducting and processing child support payments would increase both for employers and child support agencies. The concept of implementing EFT/EDI for income withholding originated from work conducted under the OCSE grant - the Iowa/Nebraska EFT Project. Realizing that this concept had national significance, OCSE began working closely with the Bankers EDI Council of the National Automated Clearinghouse (NACHA), child support enforcement agencies, employers, and the payroll industry to develop the Child Support Addendum Record for use in the Automated Clearinghouse (ACH) in 1990.

By May 1991, the Bankers EDI Council had approved a child support addendum record for use in the pilot program. After soliciting input from state child support agencies, OCSE approved the Child Support Addendum Record in December 1992.

The report of the final phase of the Iowa/Nebraska EFT Project focused on employer use of direct deposit of child support payments. The employer direct deposit emphasized an ACH format that would be used universally for all jurisdictions. The format adopted is the Cash Concentration and Disbursement with special addenda record (CCD+). This format is commonly used to transfer funds from one organization to another and is available at most financial institutions. The "+" sign appended to "CCD" indicates that the record structure within the file includes special information. This information is then used for payment identification.

Washington State

Washington State incorporated the Child Support Addendum Record format into its initial designs for FEDI. Realizing the potential for a standardized child support record, many of our early trading partner requests were designed around this standard. DCS began requesting that all new trading partners adapt to the standard layout even before the final product was approved to prepare for the coming change. This process occurred slowly as the learning curve for such technical financial information was shared between DCS, the employers, payroll vendors, OCSE, and other IV-D agencies.

Other States

OCSE has been working with NACHA and the other states to resolve some of the remaining issues regarding the definition of fields and the possibility of more information being needed by some states. An undefined, optional field is available within the ACH Header Record. This field may be utilized for additional information such as in the case of Oregon's Treasurer's Office who requests that it be used as the agency destination. DCS individualized the NACHA file format for the specific purpose of implementing EFT disbursements to Oregon, one of Washington's largest receiving states. Other states also have unique needs because of their banking relationships. At the present time, these issues remain unresolved. Implementation with many of the other states will be delayed until these questions are answered.

EFT Payments

DCS's leading use of electronic payment processing began in 1990 with the acceptance of a magnetic computer tape received from the Department of Defense, Navy. The tape contained payment information which was fed automatically into the Support Enforcement Management System (SEMS).

Within a year, DCS was receiving payment information in this format from Washington State's largest employer, The Boeing Company, and from the Washington State Employment Security Department. These three payers alone accounted for approximately 25,000 payments monthly.

The repetitive debit program for individuals was automated in 1991 and by December 1992, the state payroll system, Human Resource Information Systems Division (HRISD), had been added, allowing EFT processing to grow to 16 percent of the approximately 170,000 total monthly payments processed.

Input Methods

DCS, along with U.S. Bank staff, began to review some options for payment input on the employers' end that would guarantee standardization of data. In January 1994, the pay-by-phone method of transmitting payment information was implemented. A toll-free number is provided to allow employers to call and enter an access code to transmit up to 10 payments by touch-tone telephone. The receiving recorder tallies the payment total and verifies the amount. The system builds the mandatory payment record and edits fields for accuracy. A trace number is then issued to the initiator and the funds are debited from the employer's account the following day. DCS receives this information as a credit to its bank account the next day and transfers the detail to payment file records.

In July, the terminal transfer method was introduced. The employer may download the payment information through a PC modem to U.S. Bank, once again initiating a next-day debit transaction to their bank account. This method allows employers to maintain a stand-alone file on their PC through which they can transfer payment information.

Employers - ACH Repetitive Debits

This automatic debit program was designed to mirror the repetitive debit program for individuals, utilizing a PC software supplied by DCS's bank. An employer authorizes a debit from their bank account to occur on the same day every month. A list of employee names and individual dollar amounts is supplied to DCS for payment identification. These payments are then automatically updated in the SEMS cash processing system.

The employer repetitive debit began at the request of one employer and has now grown to 35 participants and roughly $10,000 in payments. It is a wonderful choice for small employers whose work force remains constant or changes infrequently.

Disbursements

Direct Deposit

The SEMS child support database was enhanced to maintain the recipient's bank account number in order to disburse by EFT. These SEMS enhancements paralleled the implementation of the new direct deposit program.

A brochure was sent out with all disbursement checks beginning February 17, 1994. The response was overwhelming. By the end of March 1994, we had received 9,160 authorization forms. By July 1994, the total had increased to 16,816 forms. As of August 1994, DCS had succeeded in reaching 27 percent of the total dollars disbursed.

Cost Benefit Analysis

Operating costs for both receiving and disbursing are less using Financial EDI. By dividing the capital costs by the savings in operating costs, the recovery period for implementing FEDI can be estimated. During the period from July 1993 to June 1994, DCS received a monthly average of 190,159 items and disbursed a monthly average of 122,340 items. Using these figures, DCS would recover the costs of implementing FEDI for receiving payments within one month and for disbursements within three months. The cost recovery period assumes complete conversion from manual to FEDI.

DCS would save approximately $.17 an item by receiving and processing an electronic transmission ($.138) instead of receiving and processing a paper check ($.308).

DCS would save approximately $.09 an item by sending an electronic transmission with notification ($.409) instead of sending and mailing a paper check ($.504).

EFT in DCS

Out of necessity, much of what has been accomplished in EFT in the last few years has, at times, been a piecemeal effort. A look at current EFT architecture reveals numerous points of manual intervention (e.g., file transfers, phone confirmations, reconciliation). These manual interventions are critical to complete the flow of data. However, EFT needs to become a part of the culture at DCS. The acceptance into normal daily cash operations will become the basis for establishing these functions. The goal is to integrate the EFT process by minimizing duplication of efforts. Tasks will continue to be streamlined as integration occurs.

The end objective is to engineer a system that will increase productivity, reduce operating and transaction costs, and provide for continued enhancements to customer service. The short-range strategies were vital to develop the larger overall plan. EDI is a migratory process, not a system process. Unlike a system project, you can't just flip a switch and begin converting trading partners. Ultimately, the EFT automated structures should be interfaced with each other and with the existing cash process. Of the utmost importance to a smooth implementation is using the available resources intelligently, reducing both cost and time. This project has launched this implementation and constructed a strong foundation to build upon.

Chapter One

Introduction

EFT in Washington State

Division of Child Support

Introduction

Background

In 1987, the Washington State Division of Child Support (DCS) received its first electronic funds transfer (EFT). The federal Office of Child Support Enforcement (OCSE) originated a wire transfer of funds to transmit dollars collected from the Internal Revenue Service for child support obligations. This lone process prompted much of the beginning interest in early EFT. Since then DCS has progressed into the realm of Financial Electronic Data Interchange (FEDI), a process which reaches beyond merely the delivery of funds and incorporates payment detail. DCS has increased EFT collections to include 76 trading partners and 30 percent of total dollars collected.

Much of this effort began in June of 1990, when, at the request of the Governor-appointed Efficiency Commission, DCS began a study of EFT, Financial EDI, and other forms of automated payment processing. Early research was concentrated on major employers and federal agencies who had expressed an interest and had the program resources to participate in some form of EFT/FEDI. An EFT/FEDI User's Group was formed to inform critical DCS financial applications staff of the progress and procedures being tested and to gain input on system design. This early group formed the foundation for what was to come.

Payment Processing August 1994

Manual Input 72%
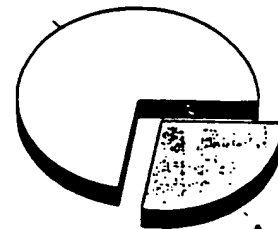
Automated Input 28%

In November 1993, the EFT/FEDI Project Team was formed to further these advancements. DCS combined this interest with the technical specifications required for federal system certification. To meet certification requirements all child support entities must be able to accept EFT from employers by October 1995[1]. With an internal focus to centralize cash processing functions from the nine field sites within Washington State, it became apparent that there was sufficient need to concentrate resources towards securing additional trading partners to the EFT payment process. OCSE assisted by working jointly with the Bankers EDI Council to approve the Child Support Convention Addenda format to be used within the Automated Clearing House (ACH) as a support for Financial EDI. Essentially, this addenda format allows payment identification to flow through the banking system along with the dollar amount. This standardized format was meant to be adapted for use in payments being forwarded from one state to another. Financial EDI seemed a reasonable step in the process to create uniformity between states.

---

[1] Department of Health and Human Services, Administration for Children and Families, *Automated Systems for Child Support Enforcement*, January 1994, p. II-55, F-3.

The second phase of the FEDI plan incorporated direct deposit of child support on outgoing disbursements. This procedure demanded inclusion of custodial parents within the state of Washington, as well as other states. Direct deposit for clients had long been a departmental goal for customer service. It would require specialized attention to ensure effective implementation. Also, incorporating the federal format was a vital standard for outgoing payments to other states.

Goals

In October 1993 a proposal was submitted to DCS management requesting approval to form the Financial EDI Project Team. This proposal described the goals presented in DCS's 1993-1995 Management Services Operation Plan.

To Improve Service Quality by a Comprehensive Program for Financial Electronic Data Interchange (FEDI).
To establish a comprehensive program which will merge technology, efficiency and multiple applications. By:
Developing educational and promotional material for use in increasing payer participation in the use of EFT/EDI.
Completing and enhancing the integration of electronic processing of financial data with existing cash processing systems.
Testing, evaluating and implementing the distribution of payments to clients.

The proposal contained suggestions for team development, while the overall objective was to answer demands for efficiency and compliance. In this process, it was expected that there would be a streamlining of functions and a observance of internal control standards. The Team's purpose was focused on resolving the legal, financial, risk, market, and operational issues involved in FEDI.

Team Development

The EFT/EDI project began by identifying two distinct processes: disbursing by EFT and the receiving of EFT payments. Therefore, the team's primary focus became to test, evaluate, and implement a disbursement system to other states and to custodial parents; and to test, evaluate, implement, and maintain payment systems in order to accommodate the various capacities of payers. The team potentially would develop marketing plans and materials, and address any questions or problems that might arise during implementation.

Ultimately, the team, in conjunction with Support Enforcement Management System (SEMS) financial staff, would become responsible for establishing the business and technical goals, system features and functions, data base requirements, and process changes that needed to be made for effective completion.

Consequently, the team members not only needed to include experts in Financial EDI, but also individuals who were familiar with SEMS and with the fiscal and financial structures in state agencies and in private industry. - -

Participants included staff from financial operations, program development, fiscal auditing, banking relations, and SEMS. The final element to success was the continued support of senior management.

The original staff consisted of a coordinator, a program and fiscal analyst and program and fiscal technical staff. These five people, working closely with the SEMS financial experts, departed on a journey which was to become more prosperous than they had originally imagined. Within months, the sheer volume of direct deposit requests prompted the addition of a clerical position and additional technical staff. The team was originally scheduled to complete all operations in six months but was extended to ten months. To aid in transition of the increased job duties involved in these new processes, a new Support Enforcement Technician permanent position was established for the Financial Services operations.

Throughout its duration, the project team succeeded in remaining focused on its mission as a team and continued to strive for a productive and supportive working environment.

FINANCIAL EDI PROJECT
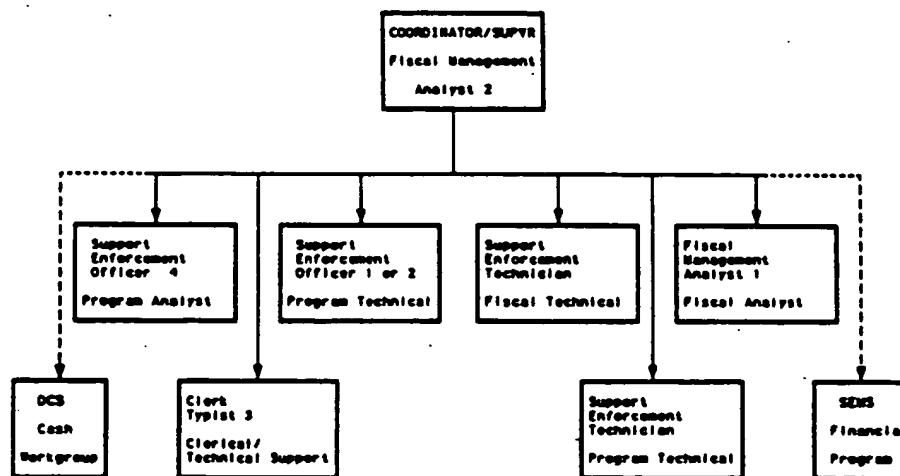
Chapter Two

Office of Child Support Enforcement

and

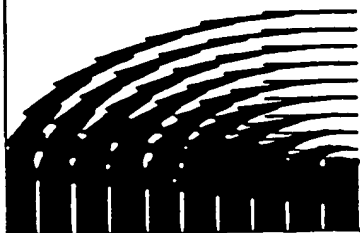*National Automated Clearinghouse*

EFT in Washington State

Division of Child Support

The Federal Direction

In 1987, the Office of Child Support Enforcement awarded a grant to the states of Iowa and Nebraska to assess the potential benefits of EFT technology in a child support enforcement setting. With the requirement that child support obligations be collected through income withholding, OCSE recognized that the work load of deducting and processing child support payments would increase for both employers and child support agencies. The concept of implementing EFT/EDI for income withholding originated from work conducted under the OCSE grant, the Iowa/Nebraska EFT Project. Realizing that this concept had national significance, OCSE began working closely with the Bankers EDI Council of the National Automated Clearinghouse (NACHA), child support enforcement agencies, employers, and the payroll industry to develop the Child Support Application for use in the Automated Clearinghouse (ACH) in 1990.[1]

By May 1991 the Bankers EDI Council had approved a child support addendum record for use in the pilot program. After soliciting input from state child support agencies, OCSE approved the Child Support Addendum Record in December 1992.

The report of the final phase of the Iowa/Nebraska EFT Project[2] focused on employer use of direct deposit of child support payments. The employer direct deposit emphasized an ACH format that would be used universally for all jurisdictions. The format adopted is the Cash Concentration and Disbursement with special addenda record (CCD+). This format is commonly used to transfer funds from one organization to another and is available at most financial institutions. The "+" sign appended to "CCD" indicates that the record structure within the file includes an addenda record with special information. This information is then used for payment identification.

The Format

OCSE has established specific standards for the data entered as addenda information. These data elements include:

Case Identifier	Commonly referred to as the "case number."
Pay Date	The date on which the related payroll was effective.
Payment Amount	The amount of child support withheld for a particular case.
Absent Parent SSN	Social Security Number of the payer.
Medical Support Indicator	A yes or no indicator that medical insurance is available from the employer.
Absent Parent Name	The last name of the payer.

[1] NACHA, Bankers EDI Council, *Implementation Guidelines and Conventions Manual, Child Support Application Banking Convention*, 1993, Chapter 4.3.

[2] Nancy L. Graham and Katherine R. Wegner, Policy Studies Inc., The Employer Direct Deposit Pilot of the Iowa/Nebraska EFT Project, June 1992.

FIPS code An optional field indicating the FIPS code of the receiving child support entity.

Employment Termination Indicator An optional field used to notify the child support enforcemen agency that an individual's employment has terminated.

The limits of using the CCD+ format are that a separate transaction is required for each individual payment. This format excludes a payer from sending one dollar amount and several items of payment identification. It is important to note that a higher cost is associated with individual payment transactions as opposed to the Corporate Trade Payment (CTX) ACH format that would allow one dollar amount with multiple addenda records detailing payments. The addenda record was initially designed for use with the CCD+ ACH record but was ultimately intended for use with the CTX payment record. This enhancement would accommodate multiple individual payments attached to one dollar amount, reducing the number of ACH transactions needed.

CCD+ Layout

Child Support Addendum Record

Field	1	2	3	4	5
Data Element Name	Record Type Code	Addenda Type Code	Free Form	Special Addenda Sequence Number	Entry Detail Sequence Number
Contents	7	05			
Length	1	2	Alphanumeric	Numeric	Numeric
Position	01-01	02-03	80	4	7
			04-83	84-87	88-94

Field	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Data Element Name	Segment Identifier	S	Application Identifier	S	Case Identifier	S	Pay Date	S	Payment Amount	S	Absent Parent SSN	S	Medical Support Indicator	S	Absent Parent Name	S	FIPS Code	S	Employment Term Ind	Segment Terminator
Contents	DED	•	CS	•	AN	•	DT	•	N2	•	AN	•	AN	•	AN	•	AN	•	AN	\
Position	01-03	04	05-06	07	08-27	28	29-34	35	36-45	46	47-55	56	57	58	59-68	69	70-76	77	78	79

S • Separator or Position Holder - character which divides the data elements contained in the Free Form Field.
AN • Alpha-numeric string type data element. Left justified, trailing spaces should be suppressed unless they are necessary to satisfy a minimum length requirement.
DT • Date type data element. Format for the date is YYMMDD.
N2 • Numeric type data element with two decimal places to the right of a fixed, implied decimal point. The decimal point is not transmitted. This number will always be positive for the child support application addendum convention. For example, $550.00 would look like 55000.

DEFINITIONS:

Case Identifier: Case identifier data element is the child support agency case number.
Pay Date: Date the employee receives pay check.
Absent Parent SSN: Employees' Social Security Number.
Medical Support Indicator: "Y" is placed in the field if medical insurance coverage is available through employer; "N" is placed in the field if there is no coverage available.
FIPS Code: Federal Information Process Standard (FIPS) code of the receiving child support agency.
Employment Term Indicator: Employment termination indicator; "Y" is placed in the field if employee has terminated, otherwise the field is not used.

June 1993

Page 5

Washington State

Washington State incorporated the Child Support Addendum Record format into its initial designs for FEDI. Realizing the potential for a standardized child support record, many of our early trading partner requests were designed around this standard. DCS began requesting that all new trading partners adapt to the standard layout to prepare for this coming change. This process occurred slowly as the learning curve for such technical financial information was shared between DCS, the employers, payroll vendors, OCSE, and other IV-D agencies.

As explained, OCSE's original format was intended for use as an addenda record attached to the CCD+ transaction. Because the information in this addenda record is all encompassing, it is ideal for conversion to the CTX format. DCS has, however, found some possible problems with consistent inclusion of this standard. The ultimate intent is to post the payment using the addenda record, which includes the dollar amount. The problem arises when the payment amount fails to balance to the transaction amount in the header record. This has prompted additional internal controls. There also seems to be some confusion in using this national format for child support payments between states when states request additional information outside of the addenda record.

Other States

OCSE has been working with NACHA and the other states to resolve some of the remaining issues regarding the definition of fields and the possibility of more information being needed by some states. An optional field is available within the ACH Header Record, which, for CCD+ records, indicates a tracer number tying the header record and the addenda record. The CTX format does not have the one-to-one relationship with an addenda record. Therefore, this field could be utilized for additional information. For example, Oregon's Treasurer's Office requests that it be used as the a agency destination. DCS individualized the NACHA file format for the specific purpose of implementing EFT disbursements to Oregon, one of Washington's largest receiving states. Other states also have unique needs because of their automated systems or banking relationships. At the present time, these issues remain unresolved. Implementation with many of the other states will be delayed until the questions are answered.

The federal direction to reinvent processes solidifies inclusion of EFT/EDI technology into any government agency's strategic planning process. All federal agencies are under a mandate to eliminate paper transactions. The federal child support systems regulations require that each state's automated system be capable of receiving and disbursing funds using EFT technology. Consequently, OCSE is promoting the use of EFT/EDI by employers and encouraging state agencies to accept EFT/EDI deposits prior to implementing their statewide automated systems.[3]

---

[3] Pat Hagen, Office of Child Support Enforcement, *Child Support Report, Vol.XV, No.9*, September 1993.

Chapter Three

EFT/EDI Payments
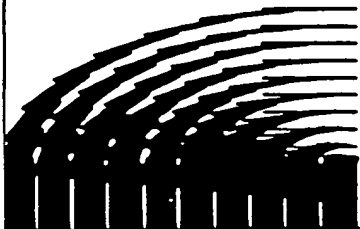
EFT in Washington State

Division of Child Support

EFT Payments

Background

Besides the receipt of IRS payments, DCS's leading use of electronic payment processing began in 1990 with the acceptance of a magnetic computer tape received from the Department of Defense - Navy. The tape contained payment information which was then fed automatically into the SEMS system.

Previously, payers would provide payment information, along with a paper check, in the form of a detailed listing. The listing would then be proofed and balanced to the check. The payments were manually input via PC and interfaced with the SEMS financial processing programs. The check was then deposited into DCS's bank account. With the onset of the magnetic tape, staff no longer spent hours in an attempt to post these payments. Within a year, DCS was receiving payment information in this format from Washington State's largest employer, The Boeing Company, and from the Washington State Employment Security Department. These three payers alone accounted for approximately 25,000 payments monthly. The repetitive debit program for individuals was automated in 1991. By December 1992, the state payroll system, Human Resource Information Systems Division (HRISD), had been added, allowing EFT processing to grow to 26 percent of the approximately 170,000 total monthly payments processed.

Several of these procedures now were escalating beyond the magnetic tape realm. Most had converted to a 3.5" disk or an external file transfer. By June 1993, several smaller employers and the Washington State Department of Labor and Industries were added to increase the EFT total to 41,283 monthly payments.

During the project many of these systems were enhanced using new technologies. Also, additional systems were developed to allow employers with little or no automation to access EFT.

Federal record layout

Washington State incorporated the Child Support Addendum Record format (see Chapter 2) into its initial designs for FEDI. Realizing the potential for a standardized child support record, many of our early trading partner requests were designed around this format. We began requesting that all new trading partners adapt to the standard layout even before the final product was approved. This process occurred slowly as the learning curve for such technical financial information was shared between DCS, the employers, payroll vendors, OCSE, and other IV-D agencies. The final approval for the Child Support Addendum Record was approved by NACHA in mid 1993. The format was initially designed for use with the CCD+ ACH record but was ultimately intended for use with the CTX payment record. This enhancement will accommodate multiple individual payments attached to one dollar amount, reducing the number of ACH transactions.

Many changes occurred during the months involved in the project specifically dealing with how electronic payments are received at DCS. Interagency technical staff coordinated to secure a process by which files are transferred between the States' two host computers. The communication and streamlining of these procedures was due to significant effort by SEMS staff.

Another major task involved translating the data received from a third party vendor and/or U.S. Bank into a usable file. Involved was the development of new programs designed to read financial industry specific formats. Telecommunication links were designed to transport the data via modem from U.S. Bank to DCS. Information system staff from U.S. Bank were extremely valuable as DCS's link to the financial community and its unique language. As these processes developed, the "Supertracs" design was implemented, and the receipt of information from The Boeing Company was enhanced.

ACH CREDITS

"Supertracs"

"Supertracs" began as a U.S. Bank-specific approach to relaying FEDI data to DCS, which included all pertinent payment detail and the addenda record. This procedure required receiving and interpreting the information the bank was providing through the ACH and U.S. Connections (an electronic U.S. Bank Cash Management report). Employers were now submitting payments in

ACH CREDIT FLOWS

Employer Initiated Payment to DCS

OOFI ACH ROFI

DEBIT $ CREDIT $

ORIGINATOR   RECEIVER

the form of ACH credits with the Child Support Addenda Record. The "Supertracs" program allowed DCS to accept an ASCII flat file in a electronic format via modem, which is then interfaced with the SEMS financial database. Prior to the interface, ACH credits from the bank were printed on a report and manually keyed into the system. Because of limitations on the initiating end, these records are not always in the required CCD+ format. Some payroll vendors and financial institutions are still unable to offer this option to their customers. The result is that U.S. Bank and DCS's receive a variety of ACH credits in many formats. DCS's program required that these "exceptions" be identified. Many hours of analysis and reconciliation were necessary to accommodate these varied pieces. The real benefit of "Supertracs" will be seen when the payment information being received is standardized.
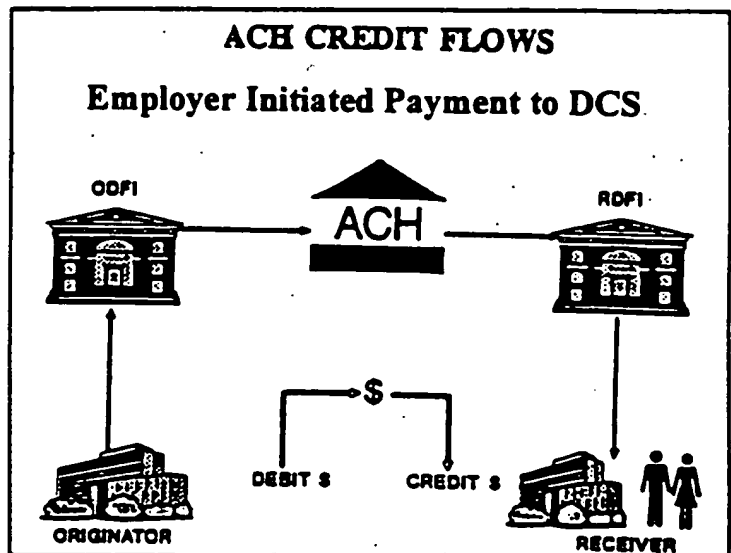
The Boeing Company

Enhancements to Boeing's withholding payments were completed to eliminate the bulky

procedure of mailing and converting a magnetic tape. Previously, Boeing would send a magnetic tape with all the payment information and a lump sum paper check. Working directly with Boeing management and U.S. Bank, DCS has strengthened this partnership by preparing a NACHA file format from the Boeing disbursement department. Boeing now uses a third party vendor for translation. Although Boeing's bank is not capable of handling the NACHA file currently, the opportunity is provided for the full FEDI transaction with payment detail and funds flowing from Boeing's bank to DCS's.

ACH DEBIT

Input Methods

DCS, along with U.S. Bank staff, began to review some options for payment input on the employers' end that would guarantee standardization of data. In January 1994, the pay-by-phone method of transmitting payment information was implemented. A toll-free number is provided to allow employers to call and enter an access code to transmit up to 10 payments by touch-tone telephone. The receiving recorder tallies the payment total and verifies the amount. The system builds the mandatory payment record and edits fields for accuracy. A trace number is then issued to the initiator, and the funds are debited from the employer's account the following day. DCS receives this information as a credit the following day and transfers the detail to payment file records.

ACH DEBIT FLOWS

DCS Initiated Payment from Employer

In July the terminal transfer method was introduced. The employer simply downloads the payment information through a PC modem to U.S. Bank, once again initiating a next-day debit transaction to their bank account. This method allows employers to maintain a stand-alone file on their PC through which they can transfer payment information.

Individuals - ACH Repetitive Debit

The automatic debit program is designed for convenience of deducting authorized child support payments from an individual's bank account if wage withholding is not required or available. This is a voluntary process, and the payer may cancel the authorization at any time.

DCS maintains database software, provided by U.S. Bank, which allows maintenance of accounts for each paying parent. These accounts include the payer's identifying basic individual number, the bank routing and account numbers, and the payment amount. As this software is accessed, batches of payments due on a certain date are extracted and transferred to U.S. Bank via modem. These payments remain warehoused at DCS's bank until two days
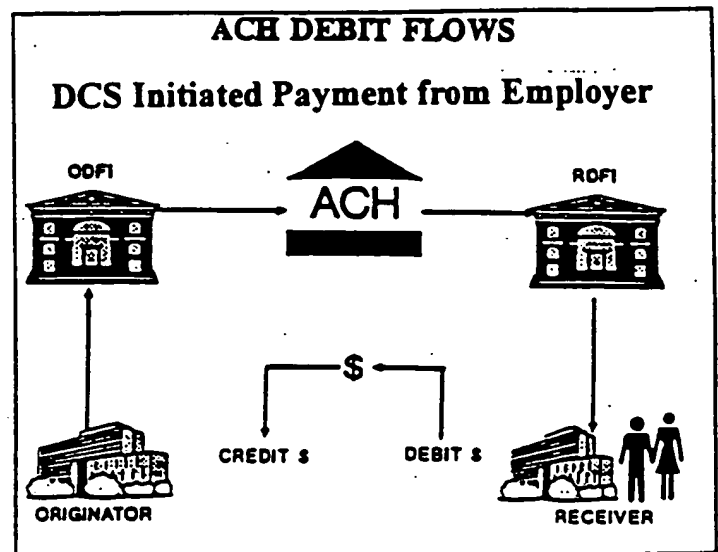
prior to the settlement date. On the settlement date, the transactions then proceed through the ACH and Federal Reserve system to the payer's bank where a debit is issued to their account. DCS's bank updates credits to its account daily and reports these credits via electronic cash management reports. The payment detail is translated from the ACH software into a SEMS financial database where files are maintained until the payment due date. The payments are then posted through the SEMS financial systems.

This process has grown from 577 payers in December 1991 to 1,657 in July 1994. These payments represent over $500,000 in collections. The trend to automatic debits should continue to grow as the public becomes more confident in the electronic payment process, and as they more readily accept child support payments as a part of life.

Employers - ACH Repetitive Debit

This automatic debit program was designed to mirror the Individual ACH Repetitive debit, utilizing the same PC software supplied by DCS's bank. In this case, an employer authorizes a debit from their bank account to occur on the same day every month. A list of employees and individual dollar amounts and employee names is supplied to DCS for payment identification. These payments are also automatically updated in the SEMS financial processing system. The success of this system is the continued contact with each employer. If employees or dollar amounts change, advance notice is required before DCS sends the debit for settlement.

The employer repetitive debit began at the request of one employer and has now grown to 35 participants and roughly $10,000 in payments monthly. It is a wonderful choice for small employers whose work force remains constant or changes infrequently.

DCS Automated Payments:

EDI Payment Process
June 1994

Military 1.0%
670 pymts

IRS 13.2%
8,730 pymts

Billings 21.1%
13,992 pymts

L & I 5.6%
3,716 pymts

Boeing 5.0%
3,331 pymts

State Payroll 3.3%
2,186 pymts

AP Pre Auth. 2.4%
1,610 pymts

Employer ACH 3.8%
2,534 pymts

ES 44.5%
29,497 pymts
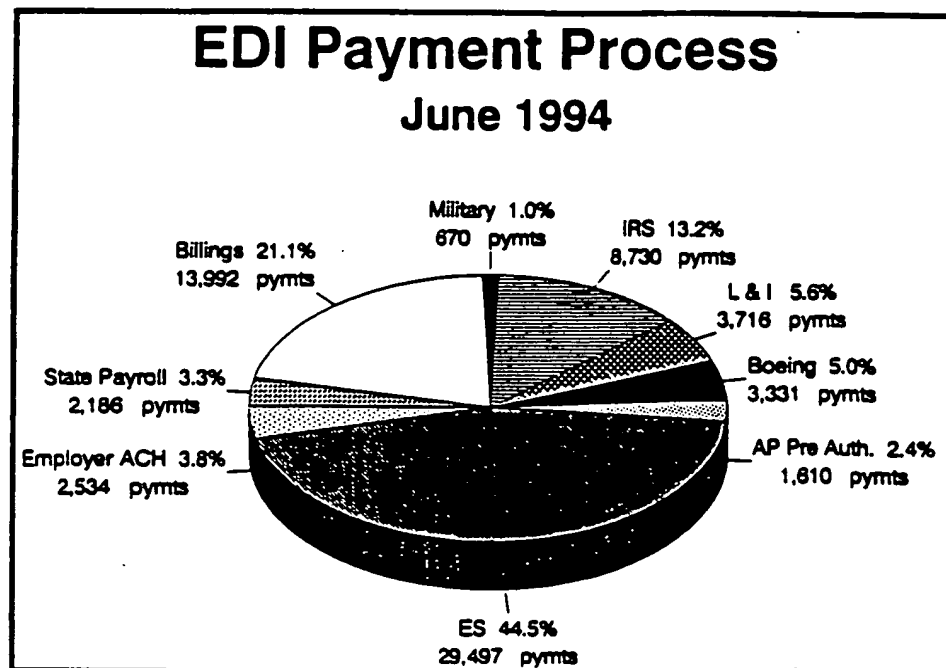
Chapter Four

EFT/EDI Disbursements
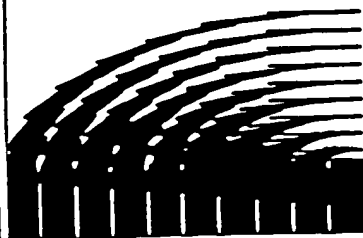
EFT in Washington State

Division of Child Support

EFT Disbursements

System Enhancements

Several enhancements to SEMS were required before direct deposit of child support disbursements could occur. DCS staff identified and examined these areas in relation to the restrictions and regulations of the banking industry.

To initiate a direct deposit by EFT, the sending entity (DCS) is required to verify and maintain the custodial parent's bank account number. This information is used to transmit funds electronically from DCS's bank through the Automated Clearinghouse (ACH) and to the custodial parent's bank. Each process occurs overnight in a batch mode.

The SEMS system needed to maintain bank account records for each recipient requesting direct deposit. These fields were extensive enough to require a separate screen. Also, several modifications were needed to add EFT indicators throughout the disbursement and payment processes and to separate EFT disbursements on internal reports (see Appendix One). SEMS staff created a disbursement file in the National Automated Clearinghouse (NACHA) format. This file contained the information needed to initiate the deposit through DCS's bank and the ACH. The Prearranged Deposit (PPD) Record was to be used for direct deposit to individuals. The records with multiple payments to other states were designed in the Cash Concentration and Deposit with addenda (CCD+) record format. (See Appendix Two). This behind-the-scene preparation was accomplished using in-house SEMS technical staff, who incorporated the banking industry's nine-digit routing number, the prenotification date, and the settlement date into their design.

The SEMS enhancements paralleled the implementation of the new direct deposit program. Initial set-up of each request required data entry of bank account numbers into the SEMS database. Project staff were overwhelmed at the volume of responses. Over 900 requests were received on a single day in March 1994.

Notification Letter

The early influx of requests created a backlog of confirmation letters to applicants. A process was devised to create an individual letter for each prenote initiated from the SEMS database. The letter lists the bank account number, offering opportunity for verification and corrections by the requesting party prior to the onset of direct deposit.

The first version of the notification letter to custodial parents included the "system created" prenote date. The prenote date is assigned by the program and is 12 calendar days from the date of entry. The ACH requires a minimum number of days to verify the bank routing and account numbers. The direct deposit cannot be activated until the 12 days have passed. The
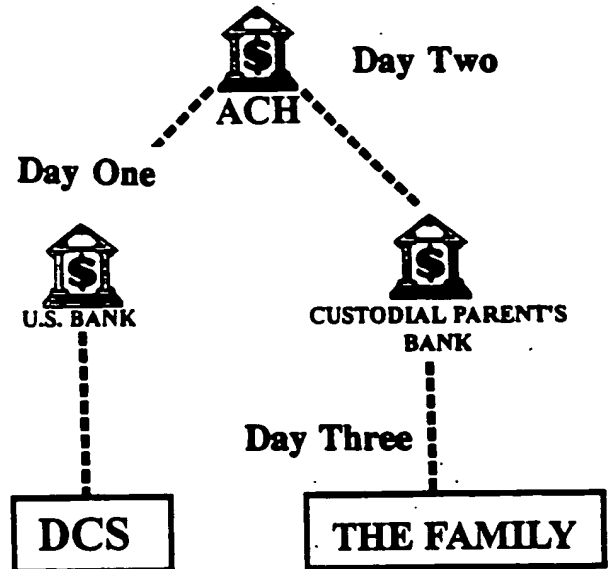
date was included originally on the letter to inform the client of the date their direct deposit would become valid. Unfortunately, this date caused much confusion for clients who believed that child support payments would always be deposited to their accounts on the date listed on this notice. Consequently, the prenote date was removed from the notification letter. The newest version of the notification letter lists the bank account number designated for deposits. Upon receipt of this notice, recipients may check the number for accuracy and inform DCS of any changes before payments are sent out.

Settlement Date

The settlement date is also a programmatically calculated date. When DCS creates a disbursement to be distributed by EFT, a settlement date is assigned to the SEMS disbursement record. The date should correspond with the date the money is available at the custodial parents bank. The settlement date was adjusted from three to four days as the environments of financial institutions were better understood. Originally, the SEMS record reflected the settlement date of the disbursement as three days from the date the payment was processed. DCS staff then became familiar with a common practice in financial institutions known as memo-posting . Memo posting of ACH credits occurs when payments are received at the financial institution, but the credit is actually not posted to accounts until an internal overnight process occurs. Apparently, this is not a standard procedure and depends on the ability/policies of each financial institution. The settlement date was believed to be the most reliable date for guaranteed settlement. In some cases payments may actually be available to clients one day earlier. The four-day settlement date assures posting to every account by that day.

Notices of Deposit

The project team researched several alternatives for notifying custodial parents that a deposit had been made into their bank account. The choice was narrowed down to either a daily or monthly statement. A cost/benefit analysis was done to determine the least cost to the state. DCS management decided that monthly statements would be appropriate. The notices were to be letter size acknowledgments listing all deposits made during a given month.

While the monthly statement was in the final stages, another option became available. The Departmental information systems division was contacted and
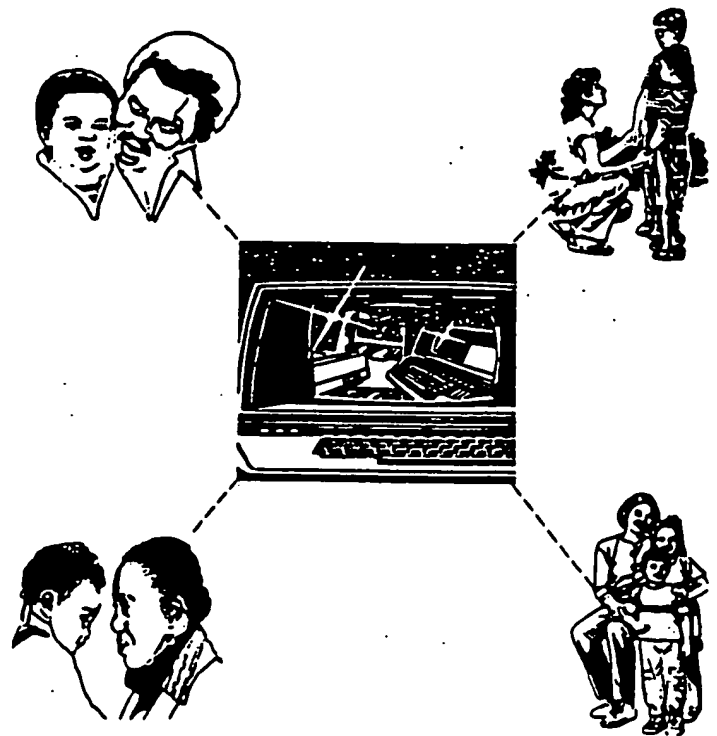
proposed generating and mailing daily notices at a significant cost saving. In the meantime, custodial parents were voting for individual notification with phone calls and letters complaining about the lack of notice due to the infrequency of child support payments. The situation was, once again, presented to management, who in consideration of the reduced cost, gave the project permission to send notifications with every deposit.

The first daily notifications were mailed April 5, 1994 for payments deposited on April 4, 1994. Custodial parents are pleased, and the remittance advice also serves as detailed notice to the custodial parents concerning payment distribution.

Marketing Program

A brochure was chosen as the major marketing tool for the direct deposit program. The brochure was designed with two purposes in mind: to give basic information about the program to the custodial parents; and to provide an easy way for them to sign up for direct deposit.

MAY WE HAVE YOUR ATTENTION.

AT YOUR REQUEST... DIRECT DEPOSIT NOW GIVES YOU STATEMENTS WITH EACH DEPOSIT.

The brochure was sent out with all disbursement checks beginning February 17, 1994. The huge response was overwhelming. By the end of March, 9,160 authorization forms had been received. By the end of April, we had received 12,094 forms. The brochure was revised several times from the original version. The first version was mailed with disbursements checks through April 13, 1994.

At that time, the brochure was redesigned to appeal to custodial parents who did not feel that monthly notification was adequate. The cover slogan for the second edition of the brochure was, "May we have your attention. At your request...direct deposit now gives you statements with each deposit." The vendor began stuffing the new brochures with the disbursement checks beginning May 6, 1994, and by the end of July we had received 16,816 completed authorization forms.

HAVE YOU HEARD ABOUT DIRECT DEPOSIT FOR CHILD SUPPORT PAYMENTS?

The second tool used to reach out to custodial parents was a message added to the disbursement checks. A simple message, "Have you heard about direct deposit for child support payments?" along with a toll-free number is printed on each check stub. The goal of the marketing plan is to let custodial parents know direct deposit is easy and accessible. It is a program designed to give better service to custodial parents. Clients also have access to a toll-free number available to answer their questions and concerns.

Interstate Disbursements

In February 1994, the Texas Attorney General's office received the first interstate direct deposit from Washington State. While the Texas AG was not able to receive the payment detail directly from their financial institution, this transmission gave DCS the opportunity to test the disbursement program which creates the CCD+ ACH records. DCS continues to fax the disbursement detail to agencies whose banks are unable to pass-through the disbursement detail electronically.

By the end of May 1994, the states of Iowa and Oregon were added to the list of states receiving child support payments electronically from DCS. Oregon receives their payments in the CTX (Corporate Trade Exchange) format, which allows transmission of one dollar amount and several addenda records. Oregon is currently working with their State Treasurers' office to receive the detail. Until that time, the disbursement detail is faxed daily. Iowa receives both the funds and the disbursement detail electronically from their bank.

Packets of information have been sent to all fifty states, soliciting their participation as FEDI trading partners. The responses have shown that the interest in growing, but the actual implementation is scheduled for some later date. These states should be aware that finding and working with a FEDI capable bank can be time-consuming during the coordination and technical phase.

EFT Disbursements
1994

Percent

[Line chart with y-axis labeled Percent, ranging from 0 to 30 in increments of 5; x-axis labeled February, March, April, May, June, July, Augu(st). The curve rises from near 0 in February to about 29 in August.]
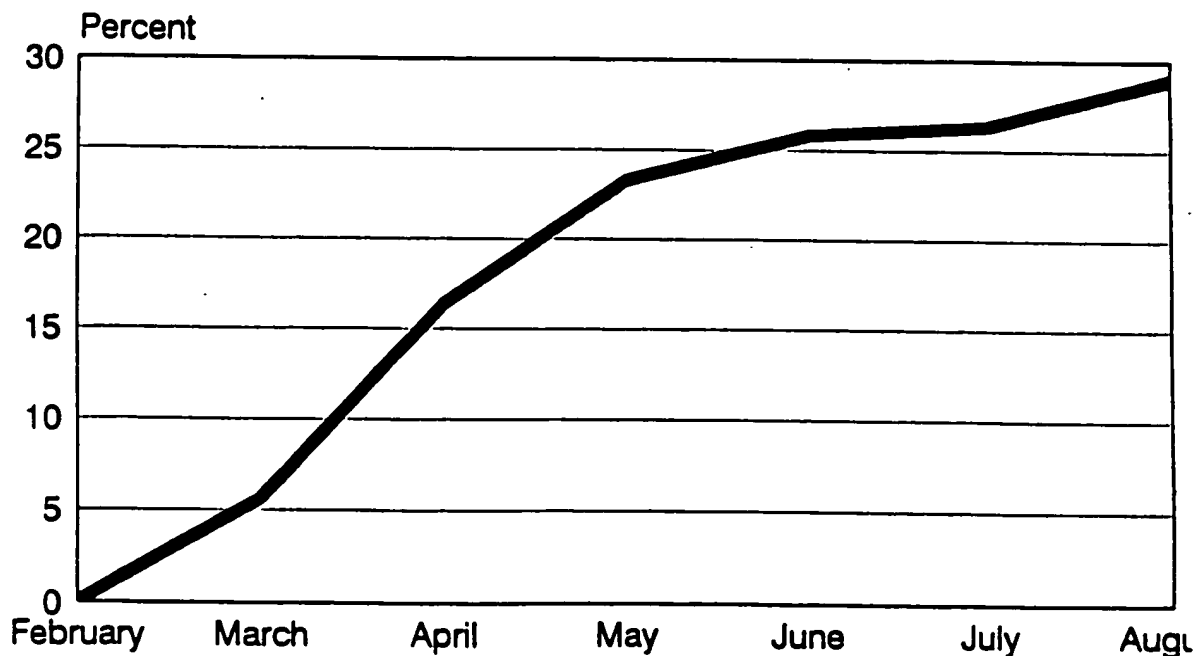
Chapter Five

Cost Benefit Analysis
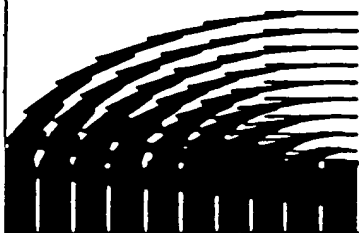
EFT in Washington State

Division of Child Support

Narrative

Financial EDI is a process of transferring funds electronically along with necessary data to make a complete transaction. This process is a cost saving in both time and labor. As demands on both receipting and disbursement increase, the need to streamline these two processes becomes evident, especially with budgetary constraints.

The Cost/Benefit Analysis assumes that the average salary of cash receipting staff is $2,000. Other capital costs associated with a full time employee, (i.e., benefits, computer, cubicle and other equipment) are derived from the study by the Office of Staff Services (OSS). Lease/rental space is estimated at one year and is also derived from the OSS study.

There are no capital expenditures for the disbursement of paper checks since DCS uses a third-party vendor to print and mail checks.

Operating costs for both receiving and disbursing are lower for Financial EDI. By dividing the capital cost by the savings in operating costs, the cost recovery period for implementing Financial EDI can be estimated. Using the period from July 1993 to June 1994, DCS received a monthly average of 190,159 items. In the same period, DCS disbursed a monthly average of 122,340 items. In the case of receiving, the cost recovery period falls within one month. In the case of disbursements the cost recovery period is approximately three months (Figure # 1). The cost recovery period assumes complete conversion from manual processing to Financial EDI.

Other savings, which may be considered intangible, are: *fewer misapplied payments, reduction in researching payments, and less workload pressure on staff.*
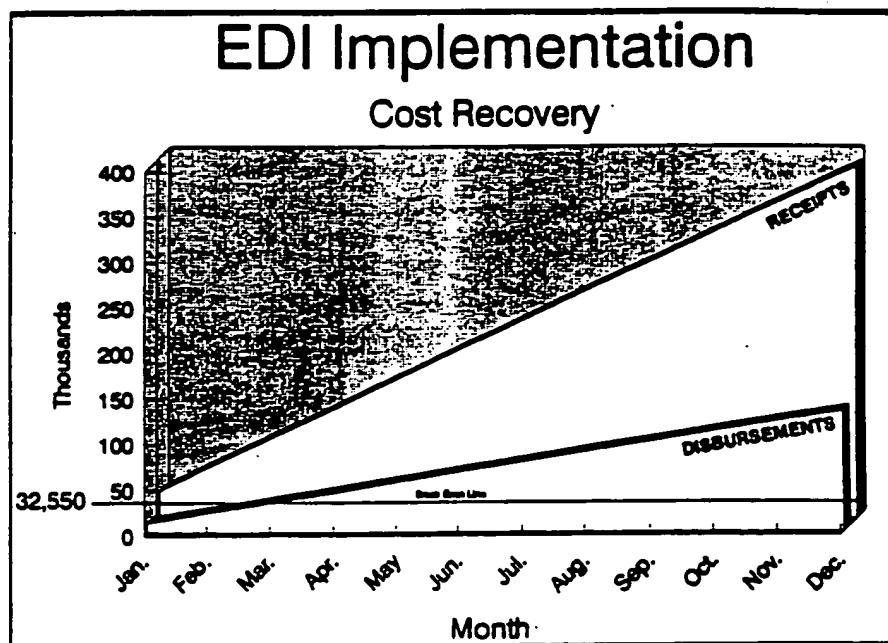
FIGURE # 1

Financial EDI Cost/Benefit Analysis of Receiving Payments

I. Operating Cost of Receiving Paper Payment
   A. Labor costs   0.268

      1. Open/ Batching / Filming .75 MIN   0.158
      2. Input Process .25 MIN   0.055
      3. Deposit Preparation .25 MIN   0.055

   B. Banking Service Charges   0.04

      1. Deposit item charges   0.04

  Total of I   0.308 per item

II. Operating Cost of Receiving EFT Payment
   A. Labor costs   0.055

      1. Receipt and processing of EFT .25 MIN   0.055

   B. Banking Service Charges   0.08

      1. Deposit item charges   0.08

  Total of II   0.135 per item

NET OPERATING BENEFIT (COST) FOR FINANCIAL EDI $0.17 per item

---

III. Capital expense (check process)
   A. Equipment   388,000

      1. MICR machines   5 @ $6,000   30,000
      2. Microfilmers   3 @ $40,000   120,000
      3. Letter Openers   2 @ $13,000   26,000
      4. Scanners   25 @ $1,200   30,000
      5. Computers   25 @ $2,700   67,500
      6. Workstations   25 @ $4,500   112,500

   B. Rental & Lease   87,500

      1. Lease inc. util.   25 @ $3,500   87,500

  Total of III   473,500

IV. Capital expense (EFT process)
   A. Equipment   22,050

      1. Computers   3 @ $2,700   8,100
      2. Workstations   3 @ $4,500   13,500
      3. Modems   3 @ $150   450

   B. Rental & Lease   10,500

      1. Lease inc. util.   3 @ $3,500   10,500

  Total of IV   32,550

NET CAPITAL BENEFIT (COST) FOR FINANCIAL EDI $440,950

SUMMARY:
The EFT process does save in both operating and capital cost. Savings in operating cost for using EFT is $.17 per item. The paper base system is already in place, so conversion to EFT would cost $32,550. Recovery of capital costs would be at a level of 191,471 items processed. The average monthly items processed by DCS is 190,159 items.

Financial EDI Cost/Benefit Analysis of Disbusing Payments

I. Operating Cost of Disbursing Paper Payment
    A. Contract costs (Vendor services)   0.424

        1. Printing, Sorting and Mailing   0.176
        2. Postage   0.248

    B. Banking Service Charges   0.08

        1. Check item charges   0.08

  Total of I   <u>0.504</u> per item

II. Operating Cost of Disbursing EFT Payment
    A. Labor costs   0.055

        1. Sending an single item NACHA record
           record .25 MIN.   0.055

    B. Contract Costs (Information Systems)   0.274

        1. Printing statements   0.026
        2. Postage   0.248

    C. Banking Service Charges   0.08

        1. ACH item charges   0.08

  Total of II   <u>0.409</u> per item

NET OPERATING BENEFIT (COST) FOR FINANCIAL EDI   <u>$0.09</u> per item

---

III. Capital expense (check process)
    A. Equipment   0

        1.   0

    B. Rental & Lease   0

        1.   0

  Total of III   <u>0</u>

IV. Capital expense (EFT process)
    A. Equipment   22,050

        1. Computers   3 @ $2,700   8,100
        2. Workstations   3 @ $4,500   13,500
        3. Modems   3 @ $150   450

    B. Rental & Lease   10,500

        1. Lease inc. util.   3 @ $3,500   10,500

  Total of IV   <u>32,550</u>

NET CAPITAL BENEFIT (COST) FOR FINANCIAL EDI   <u>($32,550)</u>

SUMMARY:
The EFT capital expenses exceed the capital expense for paper check processing. Operating expense for EFT would save $.09 per item. Recovery of capital expense would occur at the level of 361,667 items processed. The average monthly disbursements from DCS is 122,340 items.

Chapter Six

Summary/Recommendations
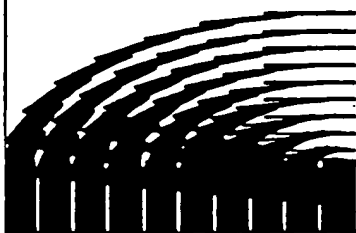
EFT in Washington State

Division of Child Support

Project Goals

● *Disbursements* -

The team goal was to achieve 30 percent of dollars disbursed by the end of the EFT/EDI project. As of July 1994, we had succeeded in reaching 27 Percent of the total disbursed.

At no time did staff encounter resistance to this portion of the program. What was relayed, in numerous ways, was the appreciation and gratitude for offering this process to child support recipients. As we continued to work through the amazing response to direct deposit, we continually came across comments from the clients indicating positive opinions. Of everything we were able to accomplish in this program, the most satisfying element for the project team was reading comments such as these:
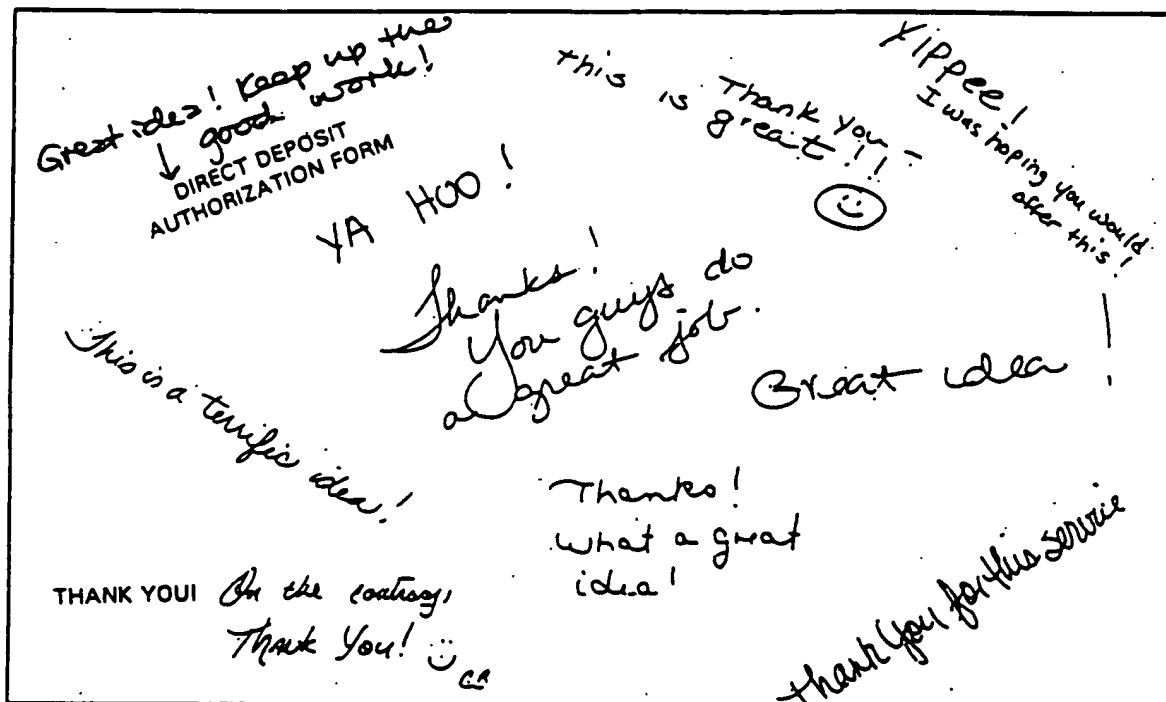
Payments

At the beginning of the project the total number of trading partners was 23. Currently we transact with 72 trading partners, and automated payment processing includes 37 percent of total dollars processed. Although we have more than tripled the number of trading partners, the difference in the number of payments is modest. Most of the larger trading partners (e.g. Employment Security, which accounts for 18 percent of total payments collected), were using EFT before the project began. The project actually built the foundation for many of the mid- to small-sized trading partners to take

part in EFT.

Some of the delays we encountered in executing the new systems related to the communication problems of operating through a third party vendor. The Pay-by-Phone process and the Terminal File Transfers were both scheduled for use much earlier in the project. Both programs were developed for DCS by Automated Data Processing Services (ADP) under a contract with U.S. Bank. The interface of the 'Supertracs' program was also delayed for up to six months due to internal system updates within U.S. Bank. And finally, the marketing portion of the payment process was delayed up to six months because of backlogs at DSHS publications. The brochures were drafted by team members in early January but were not printed and distributed until August 1994, three weeks prior to the end of the project.

EFT in DCS

Out of necessity, much of what has been accomplished in EFT in the last few years has, at times, been a piecemeal effort. A look at current EFT architecture reveals numerous points of manual intervention (e.g. file transfers, phone confirmations, reconciliation). These manual interventions are critical to complete the flow of data. However, EFT needs to become a part of the culture at DCS. The acceptance into normal daily cash operations will become the basis for establishing these functions. The goal is to integrate the EFT process by minimizing duplication of efforts. Tasks will continue to be streamlined as integration occurs.

The end objective is to engineer a system that will increase productivity, reduce operating and transaction costs and provide for continued improvements. The short-range strategies were vital to develop the larger overall plan. EDI is a migratory process, not a system process. Unlike a system project, you can't just flip a switch and begin converting trading partners. Ultimately, the EFT automated structures should be interfaced with each other and with the existing cash process. Of the utmost importance to a smooth implementation is using the available resources intelligently, reducing both cost and time. This project has launched implementation and constructed a strong foundation to build upon.

Obstacles to EFT

Some important external barriers exist in relation to integrating Financial EDI. First of all, no matter how many systems we have available, the majority of payers, whether they are employers, other state agencies or individuals, have not embraced and/or accepted the idea of electronic payment processing. There are many varied reasons why the concept remains foreign, but most of these seem to be a perceived lack of control. The real benefit of Financial EDI is that controls exist, yet not in the comfortable format of a paper audit trail. An integrated process lets companies shorten the transaction cycle time between authorization and reconciliation and reduce the number of individuals needed

to manage the information flow.

Each transaction entering a translator is acknowledged electronically by the financial institution upon receipt. Further, any transaction the bank cannot process is identified immediately for company action. This solution permits a company to manage exceptions and errors actively. Standardized procedures can be developed for backup, recovery, data retention, and balancing inbound and out-bound data.

Just as critical is the banking industry's reluctance to update technology for EDI processes. Financial institutions have existed on their own piecemeal operations of EFT and ACH functions for many years. While they are regulated to follow standardized formats and operate in strict time-frames, the back room operations of each can be extremely diverse, and manual. This precludes them from offering any comprehensive systems to their customers. The trading partner is reluctant to allocate their time and resources to learning the banking business. The last few years have brought many changes in the direction of EDI for financial institutions. They must encourage electronic payments and be capable of offering comprehensive programs to their customers in order to survive in the market.

Finally, federal and state regulations are demanding efficiencies in all financial processes, including implementing new corporate tax collection methods.[1] By employing EFT technology, governments have found a rich source of revenue. To collect and manage this cash electronically on the state and federal levels will require new relationships between government, banking, and private industry. Savings will be realized in processing child support payments when employers are mandated, not only to withhold child support obligations, but also to remit via Financial EDI. The resources required in personnel and equipment to operate a lockbox environment for manual payment processing should not be a priority for child support agencies.

Electronic Payments are no longer.....

a thing of the FUTURE.
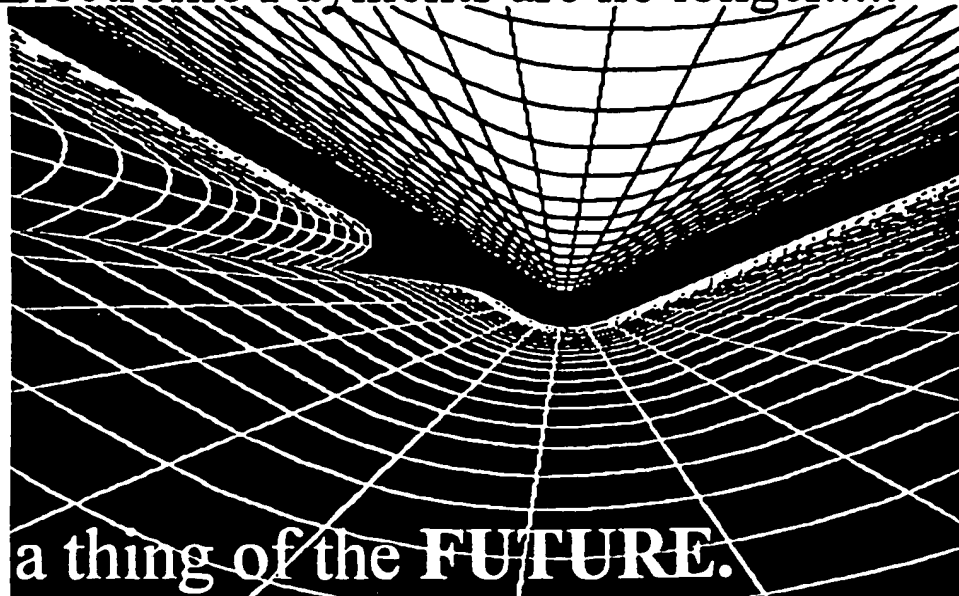
[1] Western Payments Alliance, "Governments work EFT into corporate tax collection", *The Corporate Connection, Volume 9, Number 1*, June 1994.

Recommendations

Any activity should continually be improved upon, and the EFT program is no different. Some recommendations of this team include:

The assignment of a Treasury Management Workstation, a designated PC which acts as the communication and translating device. This would ease current workstation access and allow for functional training and separation of duties.

There is continued strengthening that is needed in the electronic payment operations. An independent work flow analysis of these procedures could lend some insight into the direction of these duties. At the same time, coordination should be utilized to develop uniform procedures for monitoring inflows and outflows.

As systems are enhanced and consolidated, an integrated architecture should be developed to reduce the number of physical connections to banking cash management reports. This architecture would also encourage a consolidation of banking relationships and reduce bank service charges.

Vital to Financial EDI growth and success is the alliance with banking services. Banking liaisons need to function as important resources to our banking counterparts. Improved efficiencies are important not only on ACH/EFT issues but also on technical and operational advancements.

The cost and time invested in EDI should be observed by expanding current marketing programs and encouraging employer participation. Anything that DCS can do to strengthen the ties between employers and the financial institutions should be promoted.

There are efficiencies and enhancements that can be made to any process. Continuous development implies consciousness, aspiration, and growth. All these were experienced during this project.

Page 21
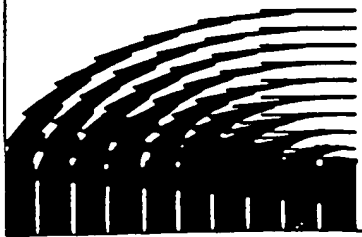
Glossary

EFT in Washington State

Division of Child Support

Glossary of Terms

ACH or Automated Clearing House is a central distribution and settlement point for electronic items exchanged between financial institutions.

ACH Credit is a transaction which moves funds from the originator's account to the receiver's account.

ACH Debit is a transaction which moves funds to the originator's account from the receiver's account.

ASCII Flat File is a collection of related records containing data in a specified format.

Addenda Record is an ACH record type that carries supplemental data needed to identify or provide information concerning a payment.

ADP or Automated Data Processing service is a third party that translates the NACHA file for financial institutions who may not have the capabilities to translate this format.

APA or Automatic Payment Authorization is authorization given to DCS to automatically deduct a fixed amount from the payer's bank account on an authorized day(s) each month.

Bankers EDI Council was formed in 1989 to provide the banking industry with an opportunity to assume a leadership role in the evolution of EDI. The members of the council work together to promote the growth and use of EDI, to create learning tools for EDI requirements, to develop implementation guidelines and banking industry EDI conventions. Their mission is to assist the banking industry in meeting the EDI needs of their corporate customers.

Bank Routing or ABA (American Bankers Association) Number is the nine-digit number used by the United States Banking System to route EFT transactions to the correct financial institution. It is also referred to as the Bank Transit Number.

BI or Basic Individual Number is a unique number that maintains control of and identifies each individual on a case. The number is assigned by SEMS and is also used in payment processing as an account number.

DCS or **Division of Child Support** is the division in Washington State that is responsible for the enforcement, collection, and distribution of child support.

Child Support Addendum Record is an eighty-character payment-related information field using the NACHA CCD+ format. Designed for use in processing of child support payments.

Custodial Parent is the person who has legal custody of a child.

Direct Deposit occurs when DCS deposits a custodial parent's child support payment into their checking or savings account by EFT.

EDI or **Electronic Data Interchange** is the electronic transmission of routine business documents. Generically, this term is used to describe the transfer of information in a standard form.

EFT or **Electronic Funds Transfer** is any transfer of funds that is initiated through a terminal, telephone, computer, or magnetic tape for the purpose of instructing or authorizing (in a structured format), a financial institution to debit or credit an account. The result is a value transfer.

Federal Reserve is the central bank of the United States which was created by Congress. It consists of a seven-member Board of Governors in Washington D.C., 12 regional Reserve Banks, and member depository institutions that are subject to reserve requirements. All national banks are members; state-chartered banks may elect to become members. State members are supervised by the Board of Governors and the Reserve Banks. Reserve requirements established by the Federal Reserve Board apply to non-member depository institutions as well as member banks. Both classes of institutions have access to Federal Reserve discount borrowing privileges and Federal Reserve services on an equal basis.

FEDI or **Financial Electronic Data Interchange** is the electronic movement of business data with funds through the banking system.

IV-D Agencies are participating agencies in the Federal Child Support Enforcement program, designated in the Social Security Act as title IV-D.

Lockbox is a financial service that facilitates rapid collection and posting of corporate receivables. These services include collecting items; sorting, totalling, and recording payments; processing items; and making bank deposits.

Page 23

● **Memo Posting** is an interim procedure in which credits and debits are recorded in individual accounts in a manner that allows financial institutions to reflect deposit information prior to the actual posting.

NACHA or **National Automated Clearing House Association** is the banking trade association that is responsible for developing and maintaining the rules for the ACH network. There are 42 regional ACH organizations across the nation and together they form the NACHA.

NACHA Standard formats commonly used in financial EDI:

> **CTX** or **Corporate Trade Payment** is used for corporate-to-corporate payments, carrying information in 9,999 addenda, and 80 characters.

> **CCD+** is the format often used for inter-corporate trade payments. This format includes an additional 80 characters of descriptive data.

OCSE or **Office of Child Support Enforcement** is a federal unit within the Department of Health and Human Services that is responsible for the administration of the title IV-D program.

●

PPD or **Prearranged Payment or Deposit** is the automated consumer payment application developed by NACHA to allow a consumer to authorize the debiting or crediting of their account by a company or financial institution.

Prenotification or **Prenote** is a zero dollar amount EFT transaction that is sent through the ACH at least ten (10) calendar days prior to live entries to ensure accuracy of the bank routing and account information.

Repetitive Debit is the recording entry that represents the removal of funds from an account on a continuing cycle.

SEMS or **Support Enforcement Management System** is the automated data processing system designed to support and enhance DCS programs and operations.

SEMS Financial Data Base is a collection of financial records designed to support and enhance DCS's automated data processing system.

●

Settlement Date reflects the date a transaction is posted to the receiving depository account.

Supertracs is a personal computer program that relays the FEDI data to DCS. The information includes all of the pertinent payment detail and the addenda record.

Trading Partner is an entity that uses EFT in conjunction with DCS.

U.S. Connections from U.S. Bank of Washington, is a computer information reporting service and payment initiation service.

Appendices
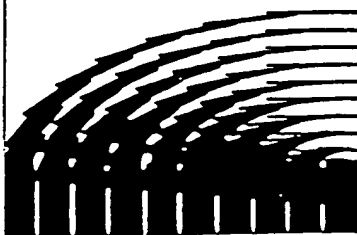
EFT in Washington State

Division of Child Support

Appendix One

SEMS REPORTS & SCREENS
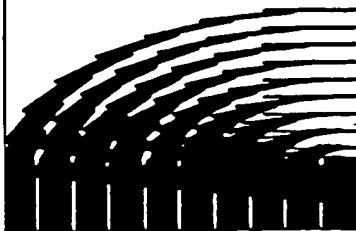
EFT in Washington State

Division of Child Support

SEMS-154   INDIVIDUAL BANK ACCOUNT   06/21/94   09:47:36

    INDIVIDUAL NUMBER   NAME   SSN
        0000000   JONES, JULIE   000-00-0000

        BANK ABA NUMBER   12300022

        BANK ABA CHECK DIGIT   0   US BANK OF OREGON

        INDIVIDUAL ACCOUNT NUMBER 1237460450

        INDIVIDUAL ACCOUNT TYPE   C

        SUSPEND INDICATOR   N

        PRENOTE   N

        PRENOTE DATE   2/22/94

    Action Code: CC IV-D Case #:   Type: Begin Date: 00-00

SEMS-152   CASE DISBURSEMENT HISTORY   06/21/94   11:49:36
AP: BROWN, RONALD   AP NUMBER: 0000000 IV-D CASE #:   0000000
AR: BROWN, ELAINE   AR NUMBER: 0000000 # OF DISBURSEMENTS: 6

PROCESS | PAYMENT | DISB| AMOUNT | CHECK |ORIGINAL | STATUS/REASON
  DATE | NUMBER | TYPE| DISBURSED| NUMBER |CHECK NO | AND DATE

06/15/94 061594S000000   451   724.09   0000000   ▓▓▓▓▓▓ -01 06/20/94
05/18/94 051694S000000   451 1,074.09   0000000   CASHED -01 05/24/94
04/23/94 042294S000000 DISTR 1,074.09   0000000   CASHED -01 05/10/94
04/18/94 041894S000000   451 1,074.09   0000000   CASHED -01 04/25/94
04/08/94 040894F000000 DISTR   832.09   0000000   CASHED -01 04/14/94
03/12/94 031294F000000 DISTR   832.09   0000000   CASHED -01 03/18/94

```
SEMS-151            -       Disbursement Inquiry Screen           06/21/94  11:53:16
Check Number:      0000000  Check Amount    :        724.09   Chk Status :EFT      - 1
Org Check No:            0  Reissue Check No:             0   Status Date:   06/15/94
Process Date:    06/15/94  Disburse Type:451          - 1   Chg Emp No :           0
Hold Ind     :          0  Paid Ind        :             1   Paid Date  :   06/20/94
EFT Ind      :          1  Bank Acct No  :  12500002 4 80000321                Tran: C
```

```
A/P: BROWN, RONALD                  A/P Number :   0000000  IV-D Case #:     0000000
A/R: BROWN, ELAINE T                A/R Number :   0000000
CFO:  B  Payment Number: 061594S000000             Pmt Type :  A2
         Adj Pay Number:
Payee Name :    BROWN,ELAINE T               Legal Referral
Address 1  :    16526 119TH AVE SE           Type    :  NOT REFERRED     -0
Address 2  :                                 Case ID :
City/St/Zip:    RENTON           WA  98058-0000  Resp Fips:  53/000
```

```
Case Type:  NON-ASSISTANCE-2             Subro Case Type: AFDC                 -1
Monthly Order Amt  :     1,074.09
Current Support Due:     1,074.09    Arrears Balance:           0.00
Current Paid       :       724.09    Subro Paid      :          0.00
Arrears Balance AR :         0.00    Receivable Due  :          0.00
Arrears Paid       :         0.00    Receivable Paid:           0.00
```

```
SEMS-129                  DAILY PAYMENT HISTORY            06/21/94  11:44:45
PMT NO:  061594S000000                  TOTAL CASES:    1 AP #:   0000000 FO: B
MED: N   TERM: N    AP NAME: BROWN, RONALD                 DISB:          NONE
REG EMP: 0000   CASH EMP: 0000   EFT RECV: N    REFUND EFT: N     REFUND:    0.00
PMT REG AMT:       724.09    PMT AMT:          724.09  AUTO/MANUAL:        AUTO
PMT EFF DATE:     06/15/94   PMT PROC DATE:  06/15/94  PMT TYPE: A2   ORIG: A2
=============================================================================
CASE NO:      0000000    CFO:  B     RESP SEQ: 0000    ORG PMT NO:
   AR NAME:  BROWN, ELAINE                    AR #:    0000000  SSN:  000-00-000(
                                          IV-A #: 00-C-000000-0
CASE TYPE:   451                              LEGAL REFFERAL
SUBRO TYPE:  AFDC                       TYPE:              RESP FIPS: 53/00(
SUBRO DATE:  04/01/94                   REASON:            INIT FIPS: 53/00(
ORDER TYPE:  O/CO                       CASE ID:
ORDER DATE:  12/15/93                   PAID DATE: 06/15/94

ORDER AMT:  1,074.09  ARRS/DSHS:       0.00  TOTAL SUPPORT PAID:     4,296.36
PMT DUE:    1,074.09  DSHS PAID:       0.00  TOTAL ARREARS PAID:     1,074.09
CUR DUE:    1,074.09  REC DUE:         0.00  TOTAL DISTRIB/DISB:     2,738.27
CUR PAID:     724.09  REC PAID:        0.00  DIST DATE: 00/00
ARRS/AR:        0.00  TOTAL PMT:     724.09  DISB: DISBURSED      -2
AR PAID:        0.00  TOTAL DEBT:  1,074.09  EFT SEND: 1
            PAYMENT STATUS   UPD 9       DATABASE STATUS   POSTED
```

STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
SUPPORT ENFORCEMENT MANAGEMENT SYSTEM
NACHA.SDF

DATE:08/18/94
PAGE 13

AN CD	ABA	ACCT. Nbr.	CHECK/INDV*	NAME	AMOUNT
23	123456789	00987654321	000456987	JEFFERSON, GEORGE W	0.00
23	187654321	0000012345678901	000604700	HAMILTON, CONNIE L	0.00
23	164897065	005210301	002134506	WHITE, JUDY M	0.00
23	130045630	0000574655239	000045697	HOWARD, LAWRENCE F	0.00
23	004567863	0000001640560	003345654	CHANDLER, ADAM J	0.00
23	123044056	000456478600067	001237890	PUBLIC, JOE Q	0.00

```
Total CCD AMT   ---> 1,197.41         Total CCD Cnt   ---> 5
Total PPD Amt   ---> 143,816.14       Total PPD Cnt   ---> 537
Total CTX Amt   ---> 7,509.18         Total CTX Cnt   ---> 53
                                      Total Prenot Cnt -> 22
Total Amt -------> 152,522.73         Total cnt --------> 617
*Disbursement = Check      Prenote = Indiv
```

STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
SUPPORT ENFORCEMENT MANAGEMENT SYSTEM

DIRECT DEPOSIT LETTER ADDRESS EXCEPTION REPORT

INDIVIDUAL
NUMBER   NAME

NO INVALID ADDRESSES FOR THIS RUN DATE.

STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
SUPPORT ENFORCEMENT MANAGEMENT SYSTEM

ACH DISBURSEMENT REPORT

IOWA

| DATE OF RECEIPT	ABSENT PARENT NAME	ABSENT PARENT SSN	APPLICANT RECIPIENT NAME	DATE OF COLLECTION	INITIATING CASE IDENTIFICATION	WA IV-D CASE NUMBER	TRACE NUMBER	AMOUNT COLLECTED
08-17-94	BERISHA.		BERISHA.	08-15-94				250.00
				TOTAL FOR 19/033 - CERRO GORDO				250.00
08-17-94	SPECK.		SPECK.	08-17-94				105.00
				TOTAL FOR 19/061 - DUBUQUE				105.00
08-17-94	STEWART.		OTTEN.	08-17-94				245.00
				TOTAL FOR 19/089 - HOWARD				245.00
08-17-94	GAINUSS.		GORDINIER	08-12-94				322.41
				TOTAL FOR 19/127 - MARSHALL				322.41
08-17-94	MALINE.		SELLERGREN.	08-16-94				275.00
				TOTAL FOR 19/153 - POLK				275.00
				TOTAL FOR IOWA			5	1,197.41

REPORTING PERIOD
08/17/94-08/17/94

STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
SUPPORT ENFORCEMENT MANAGEMENT-SYSTEM

ACH DISBURSEMENT REPORT

APPLICANT RECIPIENT

DATE OF RECEIPT	ABSENT PARENT NAME	ABSENT PARENT SSN	APPLICANT RECIPIENT NAME	DATE OF COLLECTION	INITIATING CASE IDENTIFICATION	WA IV-D CASE NUMBER	TRACE NUMBER	AMOUNT COLLECTED
08-17-94	WOOD.		WOOD.	08-12-94				383.02
08-17-94	WOOD,		HARRIS,	08-15-94				105.58
08-17-94	WOOD'		WOODHURST	08-17-94				447.00
08-17-94	WRENN.		LUND.	07-31-94				37.52
08-17-94	WRENN.		LUND.	08-15-94				126.46
08-17-94	WRIGHT.		WRIGHT.	08-15-94				254.40
08-17-94	WYNECOOP		SEYMOUR	08-10-94				175.00
08-17-94	YANKEY.		KEAR.	08-08-94				165.00
08-17-94	ZAGELOW.		ZAGELOW.	08-17-94				250.00

TOTAL FOR   APPLICANT RECIPIENT   537   143,816.14

Appendix Two

NACHA FORMATS
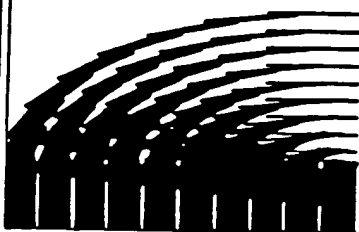
EFT in Washington State

Division of Child Support

FILE HEADER RECORD

FIELD	1	2	3	4	5	6	7	8	9	10	11	12	13
DATA ELEMENT NAME	RECORD TYPE CODE	PRIORITY CODE	IMMEDIATE DESTINATION	IMMEDIATE ORIGIN	FILE CREATION DATE	FILE CREATION TIME	FILE ID MODIFIER	RECORD SIZE	BLOCKING FACTOR	FORMAT CODE	IMMEDIATE DESTINATION NAME	IMMEDIATE ORIGIN NAME	REFERENCE CODE
Field Inclusion Requirement	M	R	M	M	M	O	M	M	M	M	O	O	O
Contents	'1'	Numeric	bTTTTAAAC	bTTTTAAAC	YYMMDD	HHMM	UPPER CASE A-Z NUMERIC 0-9	'094'	'10'	'1'	Alphameric	Alphameric	Alphameric
Length	1	2	10	10	6	4	1	3	2	1	23	23	8
Position	01-01	02-03	04-13	14-23	24-29	30-33	34-34	35-37	38-39	40-40	41-63	64-86	87-94

FILE CONTROL RECORD

FIELD	1	2	3	4	5	6	7	8
DATA ELEMENT NAME	RECORD TYPE CODE	BATCH COUNT	BLOCK COUNT	ENTRY/ADDENDA COUNT	ENTRY HASH	TOTAL DEBIT ENTRY DOLLAR AMOUNT IN FILE	TOTAL CREDIT ENTRY DOLLAR AMOUNT IN FILE	RESERVED
Field Inclusion Requirement	M	M	M	M	M	M	M	
Contents	'9'	Numeric	Numeric	Numeric	Numeric	$$$$$$$$$$cc	$$$$$$$$$$cc	N/A
Length	1	6	6	8	10	12	12	Blank
Position	01-01	02-07	08-13	14-21	22-31	32-43	44-55	39
								56-94

COMPANY/BATCH HEADER RECORD

FIELD	1	2	3	4	5	6	7	8	9	10	11	12	13
DATA ELEMENT NAME	RECORD TYPE CODE	SERVICE CLASS CODE	COMPANY NAME	COMPANY DISCRETIONARY DATA	COMPANY IDENTIFICATION	STANDARD ENTRY CLASS CODE	COMPANY ENTRY DESCRIPTION	COMPANY DESCRIPTIVE DATE	EFFECTIVE ENTRY DATE	SETTLEMENT DATE (JULIAN)	ORIGINATOR STATUS CODE	ORIGINATING DFI IDENTIFICATION	BATCH NUMBER
Field Inclusion Requirement	M	M	M	O	R	M	M	O	R	Inserted by Operator/ACH	M	M	M
Contents	'5'	Numeric	Alphameric	Alphameric	Alphameric	Alphameric	Alphameric	Alphameric	YYMMDD	Numeric	Alphameric	TTTTAAAA	Numeric
Length	1	3	16	20	10	3	10	6	6	3	1	8	7
Position	01-01	02-04	05-20	21-40	41-50	51-53	54-63	64-69	70-75	76-78	79-79	80-87	88-94

COMPANY/BATCH CONTROL RECORD

FIELD	1	2	3	4	5	6	7	8	9	10	11
DATA ELEMENT NAME	RECORD TYPE CODE	SERVICE CLASS CODE	ENTRY/ADDENDA COUNT	ENTRY HASH	TOTAL DEBIT ENTRY DOLLAR AMOUNT	TOTAL CREDIT ENTRY DOLLAR AMOUNT	COMPANY IDENTIFICATION	MESSAGE AUTHENTICATION CODE	RESERVED	ORIGINATING DFI IDENTIFICATION	BATCH NUMBER
Field Inclusion Requirement	M	M	M	M	M	M	R	O	N/A	M	M
Contents	'8'	Numeric	Numeric	Numeric	$$$$$$$$$$¢¢	$$$$$$$$$$¢¢	Alphameric	Alphameric	Blank	TTTTAAAA	Numeric
Length	1	3	6	10	12	12	10	19	6	8	7
Position	01-01	02-04	05-10	11-20	21-32	33-44	45-54	55-73	74-79	80-87	88-94

ENTRY DETAIL RECORD

FIELD	1	2	3	4	5	6	7	8	9	10	11
DATA ELEMENT NAME	RECORD TYPE CODE	TRANSACTION CODE	RECEIVING DFI IDENTIFICATION	CHECK DIGIT	DFI ACCOUNT NUMBER	AMOUNT	INDIVIDUAL IDENTIFICATION NUMBER	INDIVIDUAL NAME	DISCRETIONARY DATA	ADDENDA RECORD INDICATOR	TRACE NUMBER
Field Inclusion Requirement	M	M	M	M	R	M	O	R	O	M	M
Contents	'6'	Numeric	TTTTAAAA	Numeric	Alphameric	$$$$$$$$¢¢	Alphameric	Alphameric	Alphameric	Numeric	Numeric
Length	1	2	8	1	17	10	15	22	2	1	15
Position	01-01	02-03	04-11	12-12	13-29	30-39	40-54	55-76	77-78	79-79	80-94

ADDENDA RECORD

FIELD	1	2	3	4	5
DATA ELEMENT NAME	RECORD TYPE CODE	ADDENDA TYPE CODE	PAYMENT RELATED INFORMATION	SPECIAL ADDENDA SEQUENCE NUMBER	ENTRY DETAIL SEQUENCE NUMBER
Field Inclusion Requirement	M	M	O	M	M
Contents	'7'	'05'	Alphameric	Numeric	Numeric
Length	1	2	80	4	7
Position	01-01	02-03	04-83	84-87	88-94

Child Support Addendum Record

Field	1	2	3	4	5
Data Element Name	Record Type Code	Addenda Type Code	Free Form	Special Addenda Sequence Number	Entry Detail Sequence Number
Contents	7	'05'	Alphanumeric	Numeric	Numeric
Length	1	2	80	4	7
Position	01-01	02-03	04-83	84-87	88-94

Field	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Data Element Name	Segment Identifier	S	Application Identifier	S	Case Identifier	S	Pay Date	S	Payment Amount	S	Absent Parent SSN	S	Medical Support Indicator	S	Absent Parent Name	S	FIPS Code	S	Employment Term Ind	Segment Terminator
Contents	DED	*	CS	*	AN	*	DT	*	N2	*	AN	*	AN	*	AN	*	AN	*	AN	\
Position	01-03	04	05-06	07	08-27	28	29-34	35	36-45	46	47-55	56	57	58	59-68	69	70-76	77	78	79

S = Separator or Position Holder - character which divides the data elements contained in the Free Form Field.

AN = Alpha-numeric string type data element. Left justified, trailing spaces should be suppressed unless they are necessary to satisfy a minimum length requirement.

DT = Date type data element. Format for the date is YYMMDD.

N2 = Numeric type data element with two decimal places to the right of a fixed, implied decimal point. The decimal point is not transmitted. This number will always be positive for the child support application addendum convention. For example, $550.00 would look like 55000.

DEFINITIONS:

Case Identifier: Case identifier data element is the child support agency case number.

Pay Date: Date the employee receives pay check.

Absent Parent SSN: Employees' Social Security Number.

Medical Support Indicator: "Y" is placed in the field if medical insurance coverage is available through employer, "N" is placed in the field if there is no coverage available.

FIPS Code: Federal Information Process Standard (FIPS) code of the receiving child support agency.

Employment Term Indicator: Employment termination indicator; "Y" is placed in the field if employee has terminated, otherwise the field is not used.

June 1993

Child Support Addenda Record Examples

The following are examples of the 80 character free form field within the Addenda Record Format for child support payments.

Since this field contains optional and variable length data elements, the field will not always look the same when filled with data.

1. DED*CS*3445567SS*911225*12075*275564135*Y*JONES,JAME*55667*N\

   Example Number 1 is a record for the following payment: Child Support Agency Case Number 34455678SS, with a Pay Date of December 25, 1991, for $120.75. The employee's name is James Jones and his Social Security Number is 275-56-4135. Dependent medical insurance is available through Mr. Jones' employer. The Federal Identification (FIPS) code for the child support agency receiving Mr. Jones' payment is 55667 and the employment termination indicator is no (N).

2. DED*CS*1*910715*7500*33345677*N*SMITH,JOY\

   Example Number 2 is a record for the following payment: Child Support Agency Case Number is unknown[2], with a Pay Date of July 15, 1991, for $75.00. The employee's name is Joy Smith and her Social Security Number is 333-45-6777. Dependent medical insurance is not available through Ms. Smith's employer. The Federal Identification (FIPS) code for the child support agency is unknown and the employee termination indicator has been omitted.

3. DED*CS*1*920730*4000*536692423*Y*BROWN,MARK**Y\

   Example Number 3 is a record for the following payment: Child Support Agency Case Number is unknown[2], with a Pay Date of July 30, 1992, for $40.00. The employee's name is Mark Brown and his Social Security Number is 536-69-2423. Dependent medical insurance is available through Mr. Brown's employer. The Federal Identification (FIPS) code for the child support agency is unknown and the employee termination indicator is yes indicating that Mr. Brown no longer works for this employer and this will be the last withholding.

[1] All fields are mandatory with the exception of the FIPS code and the Employment Termination Indicator.
[2] Use "1" in mandatory fields where value is unknown.

Appendix Three

AUTHORIZATION   FORMS

EFT in Washington State

Division of Child Support

STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
OFFICE OF SUPPORT ENFORCEMENT (OSE)

AUTOMATIC PAYMENT AUTHORIZATION AND ELECTRONIC FUNDS TRANSFER INFORMATION

What is automatic payment authorization?

Automatic payment authorization is when an individual authorizes the Office of Support Enforcement (OSE) to automatically deduct child support from their checking or savings account using Electronic Funds Transfer (EFT). The individual may choose which day of the month OSE takes the deduction.

If I want automatic payment deductions from my bank account, what do I do?

Fill out an Automatic Payment Authorization form. Include with the Automatic Payment Authorization a voided check or deposit slip for the bank account from which you want OSE to deduct the child support payment. Send this information to your Support Enforcement Officer or return it to OSE Headquarters in the enclosed envelope.

An Automatic Payment Authorization form is attached. For additional forms contact your Support Enforcement Officer or call OSE Headquarters at 1-800-468-7422.

What happens next?

OSE will confirm your case identifiers and then will send the account information through the Automated Clearing House. The Automated Clearing House verifies your account and bank routing numbers.

How long does it take to set up an Automatic Payment Authorization?

OSE requires at least 30 days to complete the process.

What information will OSE send to me after signing up for the automatic payment authorization?

At the end of the 30-day period, OSE sends you a letter telling you the exact month and day the automatic payment will start.

What should I do if I want to stop the automatic payment?

Notify your Support Enforcement Officer at least ten days before the date the payment is scheduled to be deducted.

APA/EFT INFORMATION
DSHS 18-484 (06/93)

(CUT ALONG THIS LINE TO DETACH)

For Office Use Only	
IV-D # _____	BI # _____

AUTOMATIC PAYMENT AUTHORIZATION

Print Name _____

Social Security Number _____

Daytime phone number _____

Please charge my bank account # _____
the amount of $ _____

At _____   _____
    Bank Name   Branch

_____   _____   _____   ____
Address   City   State   Zip

Beginning _____, 19____, I request and authorize my bank to accept these charges. Please apply payments to my Social Security account number (listed at the left).

Signature _____

Signature _____

To have child support payments automatically deducted from your bank account, return this form with your next payment. Please attach a deposit slip for your bank account or a voided check.

What happens when I don't have enough money in the account?

If OSE receives a notification from your bank of insufficient funds, account closed, or stop pay, OSE cancels the automatic payment and notifies the Support Enforcement Officer assigned to your case.

Can the EFT be re-established after being cancelled?

Yes, in limited circumstances, with authorization from your Support Enforcement Officer.

Will the money be deducted from my account exactly on the day chosen?

Your bank will transfer the payment from your account on the exact day specified. OSE will post the payment to yc case on that same day. However, if the deduction falls on a Saturday, Sunday, or holiday, the transfer of funds and posting of the payment will occur on the following business day. If your payment is scheduled to occur on the last day of the month, and that day falls on a Saturday or Sunday, the payment will be posted to your OSE account on th last Friday of the month.

How do I know when automatic payment is in effect?

You may contact your bank to inquire about notification of deductions from your account. The deduction should show on your bank statement.

Can employers use EFT services?

Yes. Employers can send payments deducted from payroll using EFT services.

How do employers sign up for EFT services?

Employers should contact OSE Headquarters at 1-800-468-7422.

DIRECT DEPOSIT

AUTHORIZATION FORM

For Office Use Only

BI#

D#

NAME   LAST   FIRST   MI

SOCIAL SECURITY #

HOME PHONE #

WORK PHONE #

NAME OF BANK

BRANCH

BRANCH PHONE #

I authorize the Division of Child Support (DCS) to make deposits to the account listed below. DCS may make deposits to this account until I cancel the authorization and DCS has time to act on it. This request cancels any other direct deposits I have in place with DCS. If funds are mistakenly deposited into my account, I authorize DCS to deduct the amount of the error from my account or from my future payments.

SIGNATURE: _____

DATE: _____ / _____ / _____

Please attach a voided check or complete and verify the following information with your financial institution:

BANK ROUTING NUMBER

WHAT IS DIRECT DEPOSIT?

Direct deposit is also known as electronic funds transfer (EFT). You authorize the Division of Child Support (DCS) to deposit your child support payments directly into your account.

HOW DOES IT WORK?

When a payment is posted to your child support case, DCS electronically tells your bank to credit your account. In most instances, the payment will be received at your bank within three business days after DCS applies the payment to your case.

HOW DO I KNOW I HAVE A PAYMENT?

DCS will send you a deposit notice when DCS deposits a payment in your account. You may call your bank or 1-800-442-KIDS to check on your payment. The KIDS line will give you the date the money will be at your bank.

HOW DO I SIGN UP FOR DIRECT DEPOSIT?

Fill out the authorization form attached and mail it to:

DCS

ATTENTION: EFT DISBURSEMENTS

PO BOX 9010

OLYMPIA WA 98507-9010

WHEN WILL MY DIRECT DEPOSIT START?

After DCS receives your authorization, we will contact your bank to set up the deposit. It usually takes about 30 days. DCS will notify you when the deposits begin.

HOW DO I STOP DIRECT DEPOSITS?

You must notify DCS in writing by sending a letter to the address given above.

If you have questions about direct deposit, please call:

1-800-468-7422.

STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
SUPPORT ENFORCEMENT DIVISION (SED)

The Support Enforcement Division-(SED) offers a program to send child support payments to other states by
Electronic Funds Transfer (EFT). Payments sent by EFT will reach you several days earlier than payments sent by mail.

SED needs your authorization to transfer funds to your bank account using the Automated Clearing House (ACH).
SED sends an ACH credit with addenda record that identifies each payment. This information follows the National
Automated Clearing House Association (NACHA) CCD+ or CTX format and uses the national Office of Child Support
Enforcement child support standard. Your bank should inform you if you can receive this information electronically or
in hard copy format. SED will work with you or your bank representative in the development stages.

If you want to participate in the EFT program, please complete this form and return it to:

SUPPORT ENFORCEMENT DIVISION/EFT DISBURSEMENTS
P O BOX 9010
OLYMPIA WA 98507-9010

If you want to use another form, please be certain it contains the same information. If you have any questions, call
SED at (206) 586-2686.

Thank you for your interest in SED's EFT program.

AUTHORIZATION FOR RECEIPT OF ELECTRONIC FUNDS TRANSFER - CHILD SUPPORT PAYMENTS

FOR IV-D AGENCIES

STATE	AGENCY NAME		
CONTACT PERSON'S NAME	CONTACT PERSON'S TITLE		TELEPHONE NUMBER
AGENCY'S P.O. BOX OR STREET ADDRESS	CITY	STATE	ZIP CODE
BANK NAME	ABA ROUTING NUMBER	CHECKING ACCOUNT NUMBER	
BANK BRANCH P.O. BOX OR STREET ADDRESS	CITY	STATE	ZIP CODE
AUTHORIZING OFFICIAL'S SIGNATURE	AUTHORIZING OFFICIAL'S TITLE		DATE

The agency listed above wants SED to initiate ACH credit transactions to the agency's bank account. SED may initiate
payments only to transfer child support payments..

Please refer to the attached policy about adjustments or reversals of an ACH transaction.

Washington State

<u>CREDIT AUTHORIZATION AGREEMENT</u>

Department of Social and Health Services

Division of Child Support
P.O. Box 9010, Olympia, WA 98504-9010

Thank you for your interest in the Division of Child Support (DoCS) Electronic Funds Transfer (EFT) Program. Payment via EFT will reduce your costs of preparing and mailing checks. As well as ensuring that child support payments are processed quickly and accurately.

By choosing an ACH (Automated Clearinghouse) credit you will be requesting authorization to transfer funds to DoCS's bank account. The ACH credit with addenda (see options below) will send the payment data through the ACH in the form of an addenda record. DoCS prefers this information to follow the Child Support Application (see attached addendum record layout). Your bank should be able to inform you if this option is available for your business. The second option will require that you send the payment information separate from the funds. DoCS is willing to work with you on options for transmission. This should also be in the Child Support file format with additional header and trailer records.

We will be glad to work with you or your bank representative in the development stages. An official authorization with DoCS's bank account information will be sent to you upon receipt of this form. If you have any questions, or need further information, please call 1-800-468-7422. Thank you.

EMPLOYER AUTHORIZATION AGREEMENT
FOR ELECTRONIC FUNDS TRANSFER (EFT) OF
CHILD SUPPORT PAYMENTS

Business/Agency Name	Date of first payment
Contact Person Title	Phone
Mailing Address (Street Address, Box Number)	
Mailing Address (City, State, Zip)	

OPTIONS:

[ ] ACH Credit with Addenda

[ ] ACH Credit with alternate data transmission   (Check one)

[ ] Tape   [ ] Diskette   [ ] Fax

The Washington State Division of Child Support (DoCS), is hereby requested to grant authority for the above named business/agency to initiate ACH CREDIT (*) transactions to DoCS's bank account. These payments may only be initiated for the EFT of child support payments.

Signature   Title   Date

(*) Authorization is NOT granted for DEBIT entries to DoCS's bank account. Please refer to the attached policy regarding adjustments, cancellations, or reversals of an ACH transaction.

Washington State

DEBIT AUTHORIZATION AGREEMENT

Department of Social and Health Services

Division of Child Support
P.O. Box 9010, Olympia, WA 98504-9010

Thank you for your interest in the Division of Child Support (DoCS) Electronic Funds Transfer (EFT) Program. Payment via EFT will reduce your costs of preparing and mailing checks. As well as ensuring that child support payments are processed quickly and accurately.

By choosing an ACH (Automated Clearinghouse) debit you will be authorizing deductions to your bank account. If your employees and payment amounts do not change frequently DoCS can automatically deduct the payment from your account. If you would like more freedom to change your payment from pay period to pay period, the transaction can be initiated by using PC, phone or fax.

Please complete the form attached and return it in the envelope provided. Your bank will be able to provide you with the routing and account numbers needed (*). If you have any questions, or need further information, please call 1-800-468-7422. Thank you.

EMPLOYER AUTHORIZATION AGREEMENT
FOR ELECTRONIC FUNDS TRANSFER (EFT) OF
CHILD SUPPORT PAYMENTS

Business/Agency Name	Date of first payment	
Contact Person	Title	Phone
Mailing Address (Street Address, Box Number)	(City, State, Zip)	

DOES EMPLOYER PROVIDE MEDICAL INSURANCE?
[ ] Yes [ ] No

FREQUENCY OF PAY DATES:
[ ] Once monthly [ ] Semi monthly [ ] weekly [ ] Other _____

OPTIONS:
[ ] ACH Debit (Employer initiated)
    Method of Communication to Report Payment Information (Check One)
        [ ] Touchtone [ ] Voice [ ] FAX [ ] Terminal

[ ] ACH Debit (Repetitive-DCS initiated)
    Number of Employees   [_____]
    Attach detailed listing with name, social security number and amount for each employee.

The Washington State Division of Child Support is hereby authorized to initiate debit entries to the bank account identified below and the bank is authorized to debit such account. This authority is to remain in effect until mutual agreement between the Employer and DoCS.

Signature   Title   Date
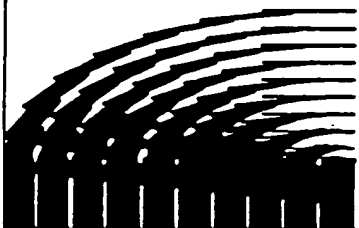
Bank Name   Branch Address

ABA Routing Number   Checking Account Number
(*) Please attach a deposit slip or voided check

Appendix Four

NOTIFICATIONS

EFT in Washington State

Division of Child Support

STATE OF WASHINGTON

DEPARTMENT OF SOCIAL AND HEALTH SERVICES

PO Box 9162 • Olympia WA 98507-9162

September 22, 1994

name ~
address ~
city/state/zip ~

RE: Direct Deposit to Bank Account #acct # ~

Your request for direct deposit of your child support payments has been received. Account verification may take up to 15 days. You will receive a notice each time a deposit is made into your account.

If The Division of Child Support (DCS) is notified of corrections to your bank account, this process may be delayed.

Please notify the DCS as soon as possible if your account changes. If DCS is not notified, your payments may be delayed in reaching you. Changes to your account will cause your payments to be sent to you by check until a new direct deposit can be set up.

If for any reason, you want to stop direct deposit, you must mail a letter to:

> DIVISION OF CHILD SUPPORT
> ATTENTION: EFT DISBURSEMENTS
> PO BOX 9010
> OLYMPIA, WA 98507-9010

If you prefer, you may fax the letter to 1-206-753-0690. If you have any questions, please call 1-800-468-7422.

Thank you for using our direct deposit services.

IV-D #case# ~

STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
DIVISION OF CHILD SUPPORT (DoCS)
ELECTRONIC FUNDS TRANSER DEPOSIT NOTICE
July 28, 1994

TO: name~
      address~
city/state/zip~

This statement does not include payments distributed by check. The Division of Child Support (DoCS) accounted for payments distributed by check on the staements enclosed with the checks. DoCS calcuclated the debts as of the last payment from the paying parent on this statement.

If you disagree with the amounts listed below or the way the DoCS distributed your child support, you may:

1. Contact the DoCS field office in writing or by telephone at:

   DIVISION OF CHILD SUPPORT
   f/o~   DoCS
   f/o address~
   f/o city/state/zip~
   TTY/TTD services available for the speech or hearing impaired.

2. Ask for an ajudicative proceeding (hearing). Ask for a hearing in writing within 90 days of the date of this notification. Send hearing requests to:

   DEPARTMENT OF SOCIAL AND HEALTH SERVICES
   OFFICE OF APPEALS
   PO BOX 2465
   OLYMPIA WA 98507-2465

Payments and Distributions:

Paying Parent: AP NAME~   IV-D Case Number: case #~

				Applied to Debt Owed to You		Applied to Washington State Debt	
Date of Collection	Date Received	Date Deposited	Amount of Payment	Current Support	Back Support	For Public Assistance	For Support Paid To You in Error
06-09-94	06-14-94	06-14-94	337.84	337.84	.00	.00	.00
06-23-94	06-29-94	06-29-94	337.83	337.83	.00	.00	.00

ital Amount Deposited $ammount~

The paying parent must pay monthly current child support of $ amount~

The debt owed to you is $ amount~

The debt owed to Washington State for repayment of public assistance is $ amount~

The amount you owe Washington State for child support paid to you in error is $ amount~

ELECTRONIC FUNDS TRANSFER DEPOSIT NOTICE
DSHS 18-492 (4/94)

STATE OF WASHINGTON

DEPARTMENT OF SOCIAL AND HEALTH SERVICES

PO Box 9162 • Olympia WA 98507-9162

June 16, 1994

ADJUSTMENT POLICY
DIVISION OF CHILD SUPPORT

COMPANY NAME
ADDRESS
ADDRESS
ADDRESS

The Division of Child Support (DCS) sometimes amends or releases the payroll deductions from a responsible parent's wages. In some cases, the payroll adjustment cannot be processed in time to effect the change on the next Electronic Funds Transfer (EFT).

When adjustments cannot be processed in time for the next EFT, we are requesting that you not take any actions to correct the amount deducted. Please do not refund any money to the employee, or make adjustments to subsequent EFT payments. Often, DCS has made necessary adjustments and, in some cases, money has been refunded to the employee before DCS receives notice of the credit adjustment. If employees have questions about the amount deducted, they should be referred to their caseworker at DCS.

In the event that funds from a payroll deduction have been sent to DCS in error and DCS will be required to return monies directly to the employer, please contact either Gary Masten at 586-4976 or Greg Sauser at 586-5384.

If you have questions concerning this request, please contact Dean Learn at 586-3279.

Georgiann DeKay, Chief
Administrative Operations
Division of Child Support

June 16, 1994

COMPANY NAME
ADDRESS
ADDRESS
ADDRESS

Dear Sirs,

Enclosed is the Authorization Agreement for Electronic Funds Transfer (EFT) of child support payments. Please fill in all company information and indicate whether you are interested in sending the payment information as an ACH addenda or wish to use an alternate method of transmitting the detail. These options are outlined further on the agreement. A return envelope is included for your convenience.

Also enclosed is a layout of the Child Support Convention for Addenda records. This is the national format which child support agencies should be capable of accepting in any state by 1995. We request that any type of payment transmission be based on this format.

The third enclosure is Washington State's policy regarding adjustments, cancellations or reversals of an ACH transaction. We ask that you review this policy and call the numbers listed if you have any questions.

Upon receipt of the authorization agreement, we will contact you to complete the setup process. If you have any questions about the agreement or EFT transmission, please contact Carl Roper at 206-586-3681 or 1-800-468-7422.

Thank you for your cooperation.

Sincerely,

Geralyn M. Larsen
Fiscal Management Analyst
Division of Child Support

Appendix Five

BROCHURES

EFT in Washington State

Division of Child Support

DIRECT DEPOSIT

Receiving child support is now FASTER and EASIER

SIGN UP FOR DIRECT DEPOSIT?

When your child support payment is deposited directly into your account:

- You get your money faster because mailing time is eliminated.

- You do not need to make extra trips to the bank or wait in long lines.

- Your check cannot be lost or stolen.

To ensure that only DCS sees your account information, please use an envelope to return your direct deposit request. Mail your request to:

DCS

ATTENTION: EFT Disbursements

PO BOX 9010

OLYMPIA WA 98507-9010

Division of Child Support

WHAT IS DIRECT DEPOSIT?

Direct deposit is also known as electronic funds transfer (EFT). You authorize the Division of Child Support (DCS) to deposit your child support payments directly into your account.

HOW DOES IT WORK?

When a payment is posted to your child support case, DCS electronically tells your bank to credit your account. In most instances, the payment will be received at your bank within three business days after DCS applies the payment to your case.

HOW DO I KNOW I HAVE A PAYMENT?

DCS will send you a deposit notice when DCS deposits a payment in your account. You may call your bank or 1-800-442-KIDS to check on your payment. The KIDS line will give you the date the money will be at your bank.

HOW DO I SIGN UP FOR DIRECT DEPOSIT?

Fill out the authorization form attached and mail it to:

DCS
ATTENTION: EFT DISBURSEMENTS
PO BOX 9010
OLYMPIA WA 98507-9010

WHEN WILL MY DIRECT DEPOSIT START?

After DCS receives your authorization, we will contact your bank to set up the deposit. It usually takes about 30 days. DCS will notify you when the deposits begin.

HOW DO I STOP DIRECT DEPOSITS?

You must notify DCS in writing by sending a letter to the address given above.

If you have questions about direct deposit, please call:

DIRECT DEPOSIT
AUTHORIZATION FORM

For Office Use Only

BI#

D#

NAME   LAST   FIRST   MI

SOCIAL SECURITY #

HOME PHONE #

WORK PHONE #

NAME OF BANK

BRANCH

BRANCH PHONE #

I authorize the Division of Child Support (DCS) to make deposits to the account listed below. DCS may make deposits to this account until I cancel the authorization and DCS has time to act on it. This request cancels any other direct deposits I have in place with DCS. If funds are mistakenly deposited into my account, I authorize DCS to deduct the amount of the error from my account or from my future payments.

SIGNATURE:

DATE: /   /

Please attach a voided check or complete and verify the following information with your financial institution:

BANK ROUTING NUMBER

SUPPORT OUR FUTURE

CHILDREN ARE OUR GREATEST RESOURCE

Keep their hopes alive!

Children are the fastest growing group of Americans living in poverty. Nationally only about half of all children entitled to court-ordered child support actually receive the full amount. About one-fourth never receive a dime.

A 1988 federal law required income withholding for all noncustodial parents who are at least one month in arrears on child support payments. On November 1, 1990, the law extended income withholding to all new and modified cases in which the custodial parent received public assistance. On January 1, 1994, income withholding became required for all new child support cases.

Although income withholding places a greater burden on the employer, it helps both the employer and the employee.

Short-term Benefits

- Reduced employee absences due to court appearances in support disputes.

- Reduced financial stress for employees receiving payments.

- Increased productivity when employees avoid conflict over financial duties.

Long-term Benefits

- Reduced tax burden to state-funded programs as parents assume financial duties for their children.

- A better educated and more productive future work force.

- A stronger economy created when individuals become more self-sufficient.

The Division of Child Support (DCS) values employer cooperation and involvement. Employers play an integral part in the success of our child support program. DCS is aware that mandatory withholding can place increased pressure on an employer. To simplify the withholding process, DCS began an electronic funds transfer/electronic data interchange (EFT/EDI) program.

In 1993, the federal Office of Child Support Enforcement, the Bankers EDI Council, employers, and payroll associations developed a standard format for remittance of child support payments. This application is for use with the ACH (Automated Clearing House) addenda format. It allows employers to use one format when sending payments to any state.

Advantages to paying by EFT are:

- Ends outgoing checks to DCS. (This saves and money in the cost of check preparati
- Speeds up the payroll withholding proces
- Reduces calls about lost or misdirected pa ments.

As you can see, there are many reasons why makes sense. If you have questions or want set up electronic payments with DCS, please **1-800-468-7422.**

Washington State
DEPARTMENT OF SOCIAL & HEALTH SERVICES

AUTOMATIC CHILD SUPPORT PAYMENT

ELECTRONIC FUND TRANSFER

What are the benefits of automatic payment to my business?

Automatic payments will ensure timeliness and accuracy. This will allow you to spend more productive time with your business and less time worrying about making support payments.

Should I be concerned about giving out my bank account number?

Actually you are giving this information each time you write and send a check. This information cannot be used to process payments unless we have authorization from you.

What happens if an overpayment is made to DCS?

Once a repetitive debit amount is set, it doesn't change unless you call and change the amount; so, overpayments would rarely occur.

The employer-initiated pay-by-phone method is controlled by you. The amount taken is only the amount transmitted by you.

In the event an error does occur, you can cancel the transaction. To correct the error, contact DCS Headquarters at either (206) 586-5358 or (206) 586-3279 by 3 p.m. on the same day as the error.

Washington State DEPARTMENT OF SOCIAL & HEALTH SERVICES

Division of Child Support

PLACE
STAMP
HERE

DEPARTMENT OF SOCIAL & HEALTH SERVICES
DIVISION OF CHILD SUPPORT
ATTN: EFT PAYMENTS
P.O. BOX 9010
OLYMPIA, WA 98507-9010

SIMPLIFY YOUR LIFE

The Division of Child Support (DCS) values employer cooperation and involvement. Employers play an integral part in the success of our child support program. DCS is aware that mandatory withholding can place increased pressure on an employer. To simplify the withholding process, DCS has started an electronic funds transfer/electronic data interchange (EFT/EDI) program.

With the Automated Clearing House (ACH) debit transaction, employers can make withholding payments to DCS with little effort. If the child support withholding is a full payment each month, DCS can set up a repetitive debit. Once the initial set-up is done, the payments will be deducted automatically each month until the employer contacts DCS to stop.

If the child support withholding varies each month due to seasonal or part-time work, employers may use the pay-by-phone method. The employer will enter each amount through a series of recorded messages. After the employer approves the total amount, an ACH debit will transfer the funds. Other methods of transmitting information include faxing a list, voice recording, or PC terminal.

If you have any questions or would like to sign up for any of the EFT options, please call **1-800-468-7422.**

ANDATORY WITHHOLDING

1988 federal law requires income withholding for any noncustodial parent whose child pport payments are at least one month te. On November 1, 1990, income withhlding became mandatory for all new and odified cases in which the custodial parent ceived public assistance. On January 1,)94, income withholding became mandary for all new child support cases.

Mandatory withholding places a eater responsibility on the employer. owever, some of the benefits to the emoyer include:

ort Term Benefits

Reduced absences due to court appearances in support disputes.

Reduced financial stress for employees who do not receive support payments which are owed to them.

Increased productivity when employees avoid conflict over financial responsibilities.

ong Term Benefits

Reduced tax burden to state-funded programs as parents assume financial responsibility for their children.

A better educated and more productive future work force.

A stronger ec___my created when individuals become more self-sufficient